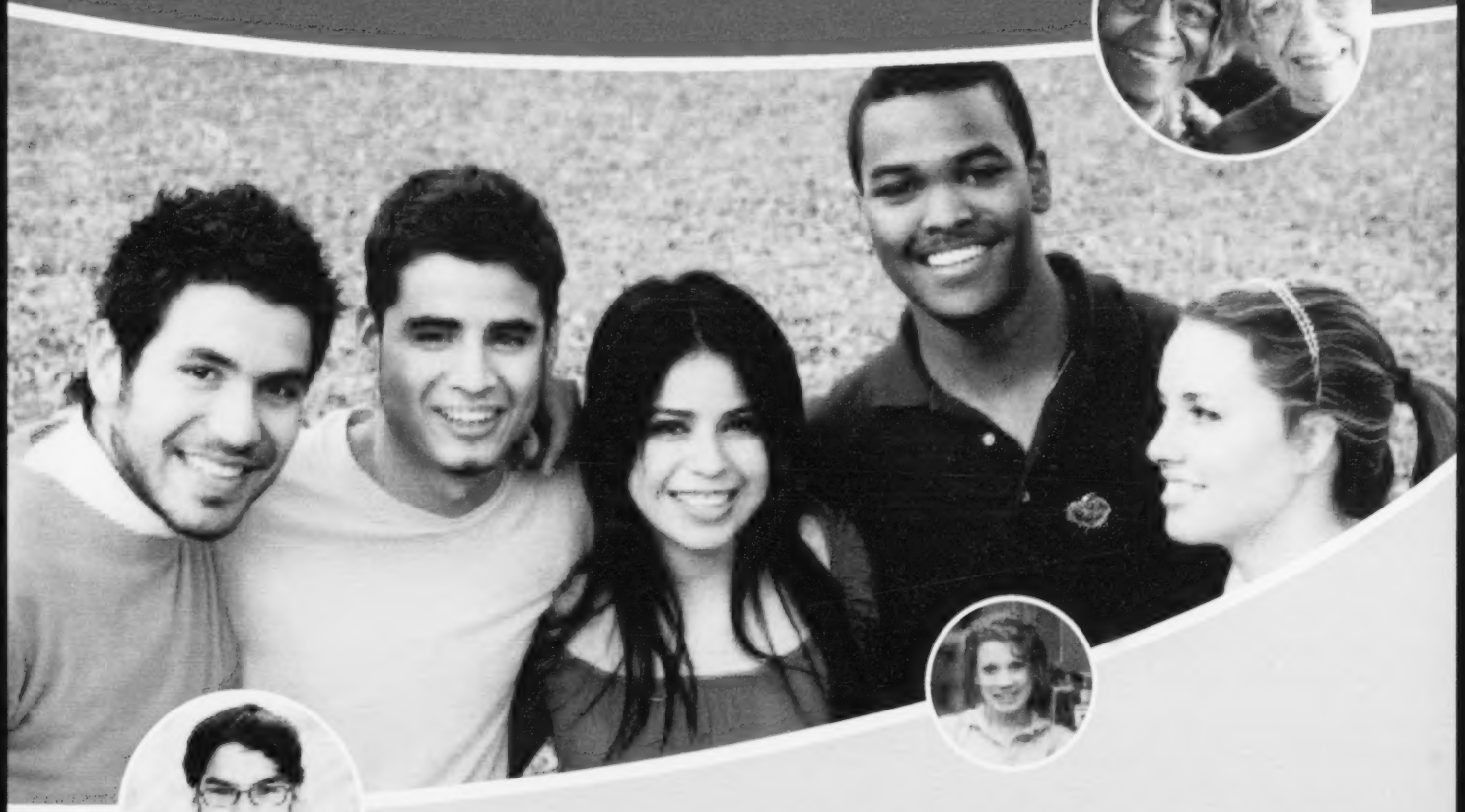
Financial Consumer Agency of Canada
Agence de la consommation en matière financière du Canada

Value *for Canadians*



Annual Report 2006–2007

Protecting Consumers | *Informing Canadians*

Canada

Financial Consumer Agency of Canada

Our mission

The Financial Consumer Agency of Canada (FCAC) is committed to improving Canada's financial marketplace by:

- supervising financial institutions efficiently and effectively with respect to meeting their obligations to consumers; and
- providing information that enables consumers to understand their rights and make informed financial decisions.

FCAC offers a variety of publications, information and interactive tools for consumers.

www.fcac.gc.ca
moneytools.ca

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(Consumer Contact Centre)
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from outside Canada: 613-996-5454

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Financial Consumer Agency of Canada
Agence de la consommation en matière financière du Canada

Enterprise Building
427 Laurier Avenue West
Ottawa, ON K1R 1B9

September 26, 2007

The Honourable James M. Flaherty, P.C., M.P.
Minister of Finance
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Minister:

I am pleased to submit to you the annual report of the Financial Consumer Agency of Canada for the period April 1, 2006 to March 31, 2007, its fifth full year of operation.

Sincerely yours,

Jim Callon
Acting Commissioner

Letter from the Acting Commissioner

Every day, Canadians make personal financial decisions in an increasingly complex and challenging financial marketplace.

The Financial Consumer Agency of Canada strives to ensure that the marketplace is fair and competitive, and that consumers can make sound decisions based on clear and accurate disclosure from financial institutions. Consumers should have a good knowledge of the financial products and services they are using; if they do, they are then able to make informed decisions and the competitive marketplace is strengthened.

The Agency provides regulatory oversight of federal financial institutions and ensures that they comply with established consumer protection laws. Because of the work that we do, financial institutions are more accountable to consumers. At the same time, millions of Canadians have better access to basic banking services and receive more complete disclosure on terms and conditions, fees, and interest. And with clear and accurate information, consumers have a greater capacity to make appropriate decisions based on an understanding of their rights, responsibilities and market choices.

As a result of our direct experience with consumers and our growing record in industry compliance, we are well positioned to provide objective information to parliamentarians about consumer issues in the financial sector. Through appearances before the House of Commons Standing Committee on Finance as well as the Senate Standing Committee on Banking, Trade and Commerce in 2006–07, the Agency gave input for the deliberations on Bill C-37, *An Act to amend the law governing financial institutions and to provide for related and consequential matters*. In addition, we publish consumer statistics on a quarterly basis and are always pleased to elaborate for policy-makers and parliamentarians on request. In 2007–08, the Agency will make an important contribution as policy-makers develop the regulations to support the new legislation. We will monitor and enforce the resulting new consumer provisions and regulations.

In the course of supervising a range of compliance issues in the federally regulated financial sector, the Agency generally receives the ongoing cooperation of financial institutions. This makes it possible to raise the level of compliance effectively and constructively.

During 2006–07, the Agency participated in a review process undertaken by provincial regulators and the Department of Finance. The aim was to identify ways of improving accountability with regard to the services provided by the three main financial sector ombudsman services. The process has been progressing well.

During the past fiscal year, the Agency has worked to improve the marketplace in many ways. We have continued to upgrade our educational tools and information, and to carry out our supervisory mandate. Following are highlights of our supervisory activities in 2006–07:

- A decision taken by former Commissioner William G. Knight will mean that all borrowers liable under a credit agreement will receive all required disclosure documents. Previously, if more than one borrower jointly took a loan, many financial institutions issued disclosure statements to only the person deemed to be the primary borrower on the credit agreement. The result was that many borrowers who were liable for the amount outstanding on a loan were not aware of their rights and responsibilities, particularly if changes had been made to the credit agreement without their knowledge.

The former Commissioner confirmed that the law required all borrowers, without exception, to receive equal disclosure. All federally regulated financial institutions have had to review their practices and ensure that proper disclosure is given to consumers who are borrowers and are held liable under a credit agreement. The institutions have cooperated and have prepared implementation plans for the Agency's review. By 2008, all consumers who sign a credit agreement with a co-borrower will receive all required disclosure documents; they have the right to receive them individually or jointly.

- The Agency undertook an examination of credit card marketing practices. We found that several financial institutions offering credit card products did not inform consumers of the actual interest rate granted to them until after the application process had been completed, the credit history had been verified, and the credit card and credit agreement had been issued. Consumers were disclosed a range of interest rates, from lowest to highest, for which they might qualify depending on their credit history.

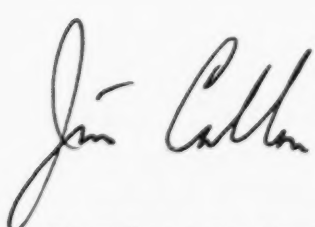
  The review revealed that institutions did not always respect the principle behind the *Cost of Borrowing Regulations*: consumers should be informed of the full costs of a credit product — including the interest rate — before they are issued the product or receive the service. The disclosure requirements are designed to allow consumers to make an informed choice based on knowledge of the true costs of each product. The former Commissioner issued several key decisions on this matter; they are posted on the FCAC Web site. The Agency will continue to monitor the market to ensure that the various credit card and other loan products meet the requirements set out in the *Cost of Borrowing Regulations*.

The Government of Canada has asked the Agency to expand its activities over the next two years. Under the 2007–08 federal budget, the Government asked us to develop and share instructional materials for financial literacy education, especially for young people, and to facilitate the sharing of information and instructional materials among financial education providers. We look forward to working with federal and provincial partners, the private sector and non-profit organizations to implement this new national financial literacy program.

We are proud of our achievements to date. And we are aware that they have been possible because of the ongoing cooperation and responsiveness of our partners, key consumer groups, stakeholders and federally regulated financial institutions. For this, I would like to thank them.

I also thank all our staff members for their energy and commitment as they bring to life our vision of informing and protecting Canadian consumers.

In closing, I would like to express the Agency's gratitude to former Commissioner William G. Knight, who finished his five-year term of office in October 2006. As the first Commissioner, Mr. Knight effectively shaped the Agency's role in ensuring a healthy, competitive and balanced marketplace for financial consumers. His dedication and strong leadership will continue to be an inspiration to us as we build on the solid foundation he established.



Jim Callon, Acting Commissioner
Financial Consumer Agency of Canada

Informing and *protecting*

The year in review

The Financial Consumer Agency of Canada (FCAC) works to support a fair and secure financial marketplace for Canadian consumers. We offer consumers objective and reliable information on which to base financial decisions, and we provide oversight of the laws that protect them in their dealings with financial institutions.

Because of our direct contact with Canadians, we have a unique perspective on their financial needs and concerns. We use this expertise to develop our educational initiatives and guide our regulatory enforcement activities.

Supporting a fair and competitive marketplace . . .

Whether by offering educational resources, engaging in outreach or investigating compliance matters, FCAC focuses on making the financial marketplace work better for Canadians. What we do has a real impact on their daily lives.

In 2006–07, we again developed new publications to help Canadians understand their rights and responsibilities, as well as the many financial products and services available to them. We continued to promote plain language in the financial services industry. And we monitored federally regulated financial institutions (FRFIs) to make sure they complied with the consumer provisions of different laws to which they are subject.

We strive to inform as many Canadians as possible about important financial matters. For this purpose we make use of our own communications resources, and we also rely on the media and seek the collaboration of government agencies and not-for-profit organizations.

. . . through information . . .

Since the Agency was established in 2001, our contacts with consumers have grown significantly.

In the past fiscal year, Canadians received well over 750,000 copies of FCAC publications, including more than 500,000 downloads from our Web site — a clear sign of the popularity of our products.

With an average of nearly 4,000 visitors to the Web site every day, we are able to deliver vital consumer information effectively and efficiently. More than 30 different booklets, tables, interactive tools and reports are available on the site. In 2006–07, we redesigned the site to make it easier for consumers to find the information they need.

To help us create and distribute new tools and information that meet consumer needs for financial knowledge and literacy, we continue to develop and maintain important partnerships.

For example, FCAC worked with several federal departments and agencies to distribute key financial information to consumers with low incomes, as well as seniors and new immigrants. We continued our efforts with the YMCA of Greater Toronto, the Montréal-based consumer group Option consommateurs and the Success Skills Centre in Winnipeg to deliver information to Canadians on basic banking services. We also continued to work with MasterCard and began working with Éducaloi to develop a plain-language credit card application that can easily be understood by people with limited financial literacy.

To gain a better understanding of Canadians' financial awareness, beliefs and behaviour, FCAC contracts with independent research companies that conduct surveys asking consumers about their everyday banking.

. . . and protection

As a key market conduct regulator in financial services, FCAC monitors the behaviour of federally regulated financial institutions, and makes sure they meet their statutory responsibilities and voluntary commitments to protect consumers. We review thousands of complaints including those that potentially involve compliance matters — roughly 3 to 5 percent of all complaints received. After we determine the nature of a complaint, we investigate whether the financial institution has met its obligations. This includes examining whether there has been a possible violation of a consumer provision, or a failure to comply with a public commitment or code of conduct. Investigations into the behaviour of banks and other financial institutions often yield improvements for all Canadians.

To help ensure that we respond to consumer issues quickly, in 2006–07 we continued to make our processing of compliance cases more effective and efficient, and we gave particular attention to cases having the broadest impact on Canadians. We closed about 1,500 compliance cases during the year, up almost 10 percent from 2005–06. We dealt with more than half of these files within two months.

A bright future

In the current fiscal year and beyond, FCAC will continue to develop information and tools for Canadian financial consumers. We will work with partners to raise awareness of our products among particular consumer groups. And, as announced in the March 2007 federal budget, we will develop and share instructional materials for use in financial literacy education, especially for young people, and we will facilitate the sharing of information and instructional materials among financial education providers. The Government of Canada will begin implementing Bill C-37, *An Act to amend the law governing financial institutions and to provide for related and consequential matters*; this received Royal Assent late in March 2007, and specifies changes to the legislative and regulatory framework. We will play an integral role in ensuring ongoing compliance by financial institutions with the revised framework. Finally, we will continue to monitor the behaviour of financial institutions to support a fair, secure and competitive marketplace for consumers.

Consumer education and public affairs

Informing Canadians

FCAC's Consumer Education and Public Affairs Branch provides Canadians with information about their rights and responsibilities when dealing with financial institutions. We offer objective and clear information to help them develop a better understanding of commonly used financial products and services.

We design our publications and tools for a broad audience to give as many Canadians as possible access to our information. In particular, we focus on reaching more vulnerable consumers, such as people with lower literacy levels or lower incomes.

Recognizing that not all Canadians seek out or use information in the same way, we offer our publications in print and on our Web site. We distribute and deliver information through interactive on-line tools and in person.

We raise awareness of our services and resources strategically and cost-effectively by working with organizations in the public, private and not-for-profit sectors. These partnerships allow us to tap into extensive consumer networks and reach a variety of communities across the country.

Finally, we develop relationships with the media to help us deliver objective information to a large number of Canadians in a timely, cost-effective manner. We offer the media a unique and valuable perspective on consumers' concerns about financial products and services.

New consumer information products and tools

Publications

- ***Pre-paid Cards***

  We released *Pre-paid Cards*, a new booklet for consumers about pre-paid MasterCard and Visa cards. The booklet explains what pre-paid cards are, how they work and the various fees that can be charged for their use. Included is a detailed table for comparing the features and fees of 12 pre-paid cards now available in Canada.

- **Tip sheets**

  We created a series of tip sheets in plain language about common financial products and services. They give consumers clear and concise information on which to base financial decisions. The tip sheets are now posted on the FCAC Web site.

Web site and interactive tools

- **Redesigned FCAC Web site**

  We redesigned the content and structure of the FCAC Web site to make it more user-friendly. We reorganized the growing amount of information that has been added over the years. The changes make it easier for consumers to find what they need.

  All of FCAC's on-line resources on a particular financial product or service are now in the same location. Consumers simply click on the category that interests them, such as bank accounts, credit cards or mortgages; this gives them instant access to a wealth of relevant, up-to-date information. On each topic, consumers can learn more with the help of interactive tools, quizzes, publications, frequently asked questions, information on consumers' rights and responsibilities, and other related resources.

  Traffic on the Web site has grown steadily over the years, almost doubling in 2006–07 (see **Table 1**). In November 2006, we saw a monthly peak of almost 156,000 visits (see **Chart 1**). And shortly after we went live with our redesigned site on March 16, 2007, we recorded the greatest number of daily visits ever — almost 9,000 on March 19.

Table 1 shows that our Web site averaged nearly 4,000 visits a day in 2006–07; this is almost double the daily average for 2005–06. Over the past year, we received more than 1.4 million visits.

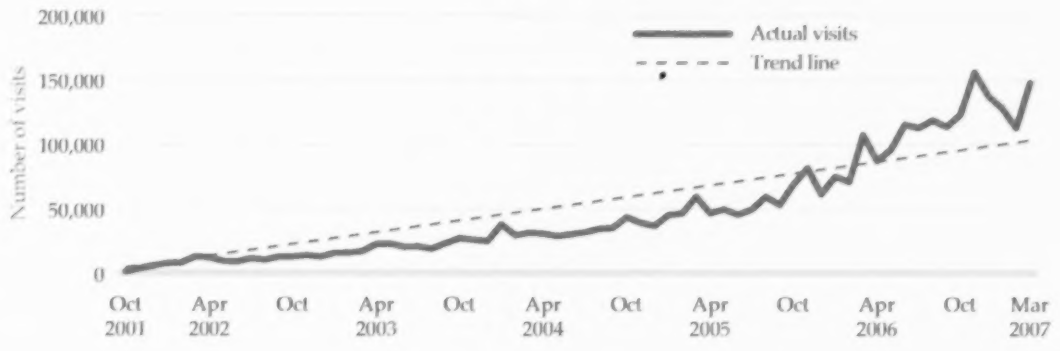
Table 1: FCAC Web site usage

	2005–06	2006–07
Number of visits[1]	766,426	1,448,322
Average number of visits per day	2,177	3,968
Number of visits to FCAC quizzes	19,170	22,880
Number of visits to Cost of Banking Guide interactive tool	9,630	11,643
Number of visits to Complaint-handling Process search tool	39,960	184,872
Number of visits to Credit Cards and You interactive tool	9,560	9,335

[1] The number of visits is the total number of times that visitors came to FCAC's site. If a visitor is idle longer than 30 minutes, the visit is considered to be terminated. If the visitor continues to browse the site after being idle for more than 30 minutes, a new visit is counted.

The Web site has recorded more than 3 million visits since it was launched on October 21, 2001. **Chart 1** shows that the number of visits has increased steadily each year.

Chart 1: FCAC Web site visits, since launch



- **Enhanced Cost of Banking Guide interactive tool**

  One of the useful and popular interactive tools on our Web site is the Cost of Banking Guide, which helps Canadians find the best banking service package for their needs. We enhanced the guide in 2006–07 to make it easier for consumers to use.

  Among other things, the improved guide gives more detail on banking packages. Consumers now can compare additional account features, such as bank drafts, free personalized cheques and overdraft protection. They can choose to exclude certain financial institutions from their comparison. They can also sort packages by different criteria, such as monthly fee, number of transactions covered by the fee, and minimum monthly balance required to waive fees. Consumers can now compare up to five banking packages at once or see all banking packages available by province.

- **Database of Frequently Asked Questions**

  We continued to add information to our Frequently Asked Questions (FAQs) database. This now features approximately 85 key questions and answers about financial services and products. It covers popular consumer topics, including bank accounts, credit cards and credit reports, loans, mortgages, pre-authorized debits, and Registered Education Savings Plans.

Financial industry and market awareness

Financial awareness, beliefs and behaviour

FCAC commissioned an independent research company to conduct a telephone survey of Canadians. The survey asked respondents about their ease with everyday personal banking activities, their knowledge of basic financial products and services, their understanding of their rights, their need for information, and their key beliefs about financial institutions in general.

The survey was conducted in the fall of 2006. The company contacted 1,700 Canadians across the country, with a special focus on consumers living in the North.

We are evaluating the survey results to enhance our outreach initiatives and educational materials.

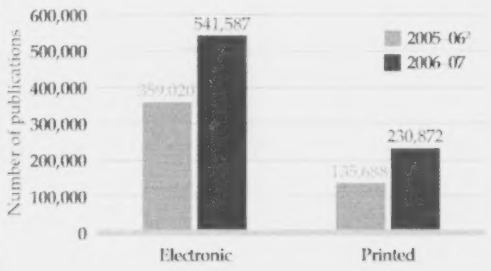
Outreach activities

Reaching out to members of Parliament

We sent letters to members of Parliament, inviting their staff to forward financial consumer questions to us and refer to us constituents who have questions and issues related to the financial sector. We also offered MPs the opportunity to order FCAC publications on behalf of their constituents. Following this mailing, MPs ordered more than 8,000 publications.

Chart 2 shows that in the past fiscal year FCAC distributed more than 750,000 publications to Canadian consumers in print and on line — a significant increase over the previous year.

Chart 2: Distribution of FCAC consumer publications[1]



[1] Included are downloads only of publications intended for use by the general public.

[2] In 2005–06, there was a slight decrease in the total print publications distributed as a result of a new method of counting kit or multi-piece publications.

Federal government partners

FCAC worked closely with a number of federal government organizations in 2006–07. With the strategic assistance of the Canada Revenue Agency (CRA), Citizenship and Immigration Canada, Human Resources and Social Development Canada, and Public Works and Government Services Canada, we were able to reach consumers in a variety of ways.

- **Cheque inserts**

  FCAC worked with the Canada Revenue Agency to include an information pamphlet with GST/HST credit cheques and Canada Child Tax Benefit cheques. The pamphlet told recipients about their right to open a personal bank account and cash a Government of Canada cheque for free. Similarly, we developed a partnership with Human Resources and Social Development Canada to include an information pamphlet with Old Age Security cheques and Canada Pension Plan cheques, giving seniors the same information.

  Both mailings also encouraged recipients to contact us by telephone or through our Web site for objective, plain-language information about consumer banking rights and responsibilities, and about banking products and services. After the mailings, we heard from about 10,000 Canadians. As well, we saw a significant increase in Web site visits.

- **Canada Pavilion**

  Public Works and Government Services Canada manages the Government of Canada Exhibitions Program, which includes the Canada Pavilion — a travelling showcase featuring different federal departments and agencies. Participating in the showcase gives us an opportunity to meet with Canadians across the country, tell them about our work and hear their concerns and issues.

  In 2006–07, FCAC joined five Canada Pavilion events, including the Calgary Stampede, the Western Fair in London, Ontario, Nova Scotia's Maritime Fall Fair, the Home Show in Moncton and the Montréal National Home Show. We spoke with approximately 18,000 Canadians, and distributed more than 30,000 publications and 23,000 promotional items. Through these contacts we encouraged consumers from all walks of life to use the Agency's resources, know their rights and responsibilities when dealing with a bank, and make sound choices in banking products and services.

- **Multimedia basic banking information**

  Working with Citizenship and Immigration Canada and non-governmental organizations (NGOs), we provided advice to new immigrants, Canadians with low levels of literacy and other consumers, informing them about their basic banking rights and how to use the services of mainstream financial institutions. FCAC produced a plain-language DVD to tell consumers how to open a bank account and cash a Government of Canada cheque for free. The information also encourages people to turn to the Agency if they encounter a problem with their bank, or need information on financial products and services. The DVD will be distributed during 2007–08 and the information will be posted on our Web site.

- **FCAC in the classroom**

  FCAC again participated in the Canada Revenue Agency's Teaching Taxes program, which helps high school and college teachers educate their students about Canada's tax system. Teachers are invited to inform students about the Agency's role in Canada's federal financial market, and to use FCAC publications in the classroom. In 2006–07, teachers requested more than 60,000 publications, almost three times as many as in the previous year.

  The information helps students better understand a variety of financial products and services, make confident financial choices based on facts, and know their rights when dealing with financial institutions.

- **Community Volunteer Income Tax Program**

  The Canada Revenue Agency works with a network of NGOs that offer tax clinics to consumers with low incomes. In partnership with CRA, we provided to tax clinic officers a specially designed brochure and publications order form for distribution to the people they served. The brochure explains consumers' rights when opening a personal bank account, how to cash a Government of Canada cheque for free, and the importance of a good credit report and how to obtain a report copy free of charge from credit bureaus. It also outlines our services and products, and ways FCAC can help consumers.

Partnerships with private-sector and not-for-profit organizations

FCAC continued to build relationships with private-sector and not-for-profit organizations. We fostered strategic partnerships with the YMCA of Greater Toronto, Option consommateurs in Montréal and the Success Skills Centre in Winnipeg. These enabled us to reach consumers we might otherwise have found difficult to contact. In an ongoing project with MasterCard, FCAC is developing a template to make credit card application and solicitation documents easier to understand.

- **Plain language**

  FCAC recognizes that many Canadians face challenges in understanding financial information because of their level of literacy and the complexity of the issues. This is why we promote the use of plain language in our publications and have made an effort to build internal staff expertise in this area.

  Working with MasterCard, we asked plain-language experts to review several existing application forms (11 in English and 6 in French) from various MasterCard issuers. Their comments helped us develop a model application form that is simpler and easier to understand. FCAC and MasterCard then contracted with Éducaloi, a not-for-profit organization that has a mission to provide consumers with legal information in everyday language. Plain language experts reviewed the model form and made sure it was written in plain language. We expect to finalize and focus-test the form in 2007–08.

  If plain-language credit card applications are adopted, these will help Canadians better understand the terms and conditions of their credit card agreements.

- **"Train the Trainer"**

  FCAC's "Train the Trainer" program gives an overview of the Canadian financial services industry, along with plain-language information on consumers' rights to open a bank account and cash a Government of Canada cheque for free. We offer the program and related materials, such as presentations and publications, to organizations and trainers willing and able to deliver the information to new immigrants and other community groups. This year, the YMCA of Greater Toronto, Option consommateurs in Montréal and the Success Skills Centre in Winnipeg delivered the program to various groups. FCAC continues to offer the program to interested organizations.

Media relations

We explore all opportunities for raising public awareness about who we are, what we do and how our efforts benefit Canadians. We consider the media an important channel for conveying information about our work and our role in the financial sector, and for helping Canadians understand their rights and responsibilities in the financial marketplace.

FCAC continues to enjoy a positive relationship with the media, maintaining contact with a number of key reporters from a variety of news outlets across the country in both official languages.

Our work was covered in 467 news stories in 2006–07, an increase of 20 percent over the previous year. Media impressions totalled 35.7 million, up by 49 percent from 2005–06.[1]

The most popular topics this year were related to bank accounts, followed by credit cards, credit and loans.

In general, the Agency focused efforts in two areas:

- **Relationship-building with key media**

  We continued to build a relationship with English and French media representatives, who come to us for information on everyday financial matters. By serving as a dependable source of objective, high-quality financial consumer information and comment, FCAC enhances its reputation with Canadian journalists and media outlets.

- **Regional awareness campaign**

  In 2006–07, we conducted a three-week regional campaign to raise public awareness of the Agency. Focusing on Atlantic Canada, we used paid print and radio advertising to promote two of our most popular publications: *Credit Cards and You* and *The Cost of Banking Guide*. Consumers were directed to our toll-free line and a newly created Web portal with an easy-to-remember address: **moneytools.ca**.

Compliance and enforcement

Protecting consumers

The Compliance and Enforcement Branch performs a number of tasks:

- It oversees and enforces the federal legislation that protects consumers in their dealings with financial institutions, and monitors the industry's compliance with these laws.
- It monitors how well financial institutions implement and follow their voluntary codes of conduct and public commitments, which were adopted to better serve and protect consumers.
- It actively investigates issues arising from consumer complaints to identify areas where financial institutions have not followed the law, or have not met their responsibilities under a voluntary code or public commitment.
- It uses other methods to identify possible compliance problems in the marketplace, including industry-wide analyses (e.g. mystery shopping) and regular/special examinations of financial institutions.

[1] *FCAC calculates media impressions by adding up the circulation figures of media that mentioned the Agency. This year's total is underestimated because we could not obtain circulation figures for 94 media mentions.*

- When an issue is found, the Branch recommends various measures, including entering into formal agreements with institutions, so that the problem is solved quickly to the benefit of all consumers.

Our supervision has a considerable impact on Canada's financial market. A single compliance case may lead to changes throughout the industry, and improvements for thousands or even millions of Canadians.

Selected Commissioner's decisions

Throughout each fiscal year, the Commissioner makes numerous decisions on cases related to compliance matters. Following are summaries of a few notable decisions in 2006–07.

- **Failure to disclose the interest rate and the amount of non-interest charges on a credit card application form or when soliciting credit card applications**

  FCAC completed an examination that began in February 2004 to determine whether the disclosure of interest and charges associated with various price-to-risk credit card products (sometimes referred to as "rate-as-low-as" or "RALA" products) offered by five banks complied with disclosure requirements set out in the *Cost of Borrowing (Banks) Regulations*. For price-to-risk credit cards, the issuer sets the interest rate based on, among other factors, the credit history of the applicant. For the credit card products reviewed, the issuer disclosed a range of rates or a list of several possible rates for which the applicant might be eligible.

  The examination focused on the disclosure of interest and fees in application forms and solicitations for credit card products that were price-to-risk products available in the Canadian marketplace. Specifically, we reviewed the mail-out and in-branch application forms, as well as Internet and telephone solicitation scripts and procedures for these credit card products.

  The review found that several products did not meet the regulatory disclosure requirements: they did not provide key pieces of information (e.g. the applicable interest rate and non-interest charges) to consumers before the issuing of a credit card and credit agreement, as required by the Regulations.

  The Commissioner determined that five financial institutions violated section 11 of the *Cost of Borrowing (Banks) Regulations*. A total of 13 violations were involved, for which the Commissioner assessed a total of $70,000 in Administrative Monetary Penalties.

  As a result of FCAC's examination, consumers will be better informed of the costs associated with these financial products. For example, some banks amended procedures, allowing applicants to find out the interest rate before receiving the credit card.

- **Failure to disclose in writing to customers and the public all charges applicable to personal deposit accounts, a list of which should be displayed at each branch of a bank**

  During an on-site examination of a bank in 2006, FCAC discovered a consumer complaint made to the institution in January 2003 about an overdraft charge of $40 for eight items appearing on the consumer's monthly statement ($5 per item). The customer claimed that the charge was not consistent with how the bank had disclosed that it would charge for overdraft items. After investigating the complaint, we found that overdraft fees had been properly charged for seven of the transactions but not for the eighth.

  In this one case, the charge resulted from a computer error, which the bank failed to detect and correct when it initially reviewed the complaint in 2003. The computer error could have led to similar unjustified overdraft charges for other consumers.

  The Commissioner found that a violation of the *Disclosure of Charges (Banks) Regulations* had occurred. He imposed an Administrative Monetary Penalty of $5,000.

  As a result of our inquiry in March 2006, the bank became aware that a computer error had been responsible for some unjustified overdraft charges. The bank corrected the error in May 2006. It also voluntarily undertook to reimburse consumers affected by the error.

- **Failure to properly disclose the conditions for opening a deposit account and the identification requirements for cashing a Government of Canada cheque**

  In the annual examination filed November 1, 2004, FCAC noted that a bank had failed to display and make available in its branches copies of a publication that disclosed the conditions to be met by an individual requesting to open a deposit account and the personal identification required for cashing a Government of Canada cheque. Disclosure of these conditions is required by the *Access to Basic Banking Services Regulations*, sections 13(*a*) and 14(*a*). The Regulations have been in force since September 30, 2003.

  The bank's publication contained errors and was not displayed. The bank's employees, however, had received the correct information during training on the Regulations. In no case did the bank refuse to open a deposit account or cash a Government of Canada cheque because a customer did not meet the conditions set out in the Regulations. We also had no record of previous complaints or violations involving this institution.

  The Commissioner issued a Notice of Violation against the bank, with a penalty of $5,000. The bank corrected its publication and paid the penalty.

Key compliance activities

Price-to-risk credit card products

We continue to monitor the various price-to-risk credit card and other loan products offered to consumers by federally regulated financial institutions; our aim is to ensure that these meet all requirements set out in the *Cost of Borrowing Regulations*. The Agency will also continue to provide the industry with information on interpretations of previous Commissioner's decisions.

Compliance monitoring

FCAC monitored whether federally regulated financial institutions complied with the consumer provisions in legislation to which they are subject. Our work involved a number of tasks:

- **Annual examinations**

  We carried out our annual general examination of all federally regulated financial institutions to assess their overall compliance with the consumer provisions.

  As in the previous year, we found that federally regulated financial institutions are generally meeting their statutory obligations. We will address individually any compliance issue brought to light by the examination.

- **On-site examinations**

  From time to time, FCAC may have reason to believe that compliance issues exist with a particular federally regulated financial institution. In such a situation, we may conduct an on-site examination of the institution to identify the issues and determine the most appropriate way of resolving them.

  In 2006–07, we undertook one on-site examination to ensure that the institution interpreted and applied self-reporting activities in a manner consistent with the FCAC compliance framework.

- **Improving disclosure to borrowers**

  In 2005–06, the Commissioner issued a decision on disclosure to multiple borrowers on a single loan. As a result of the decision, FCAC requested that all federally regulated financial institutions review their practices to ensure that disclosure was provided to each borrower on a loan, or else jointly with the consent in writing of each borrower.

  In 2006–07, we continued to work with financial institutions to help ensure that they met this obligation or that non-compliant institutions had action plans in place enabling them to meet it.

- **Addressing key consumer issues with industry**

  One of FCAC's primary objectives is to ensure that compliance deficiencies identified in the financial services marketplace are addressed

and rectified in a timely manner. To help achieve this goal, from time to time we will seek to address key issues through discussions with the industry, rather than the standard case-by-case compliance process. This approach can bring more rapid, substantial and widespread changes in the market, to the benefit of all consumers.

In 2006–07, the Agency raised two issues with major industry players: provision of monthly statements for delinquent or cancelled credit card accounts; and disclosure related to promotional offers for transferring the balance on credit card accounts.

Financial institutions have agreed to increase public visibility of their codes and commitments. This includes providing FCAC's contact information should a consumer feel that an institution has not lived up to its commitments. In 2006–07, we began monitoring compliance with this agreement, which will help ensure that consumers are well informed.

Improving the compliance process

As in previous years, we continued to refine our compliance procedures to ensure that they remain efficient and effective. In 2006–07, we enhanced our risk-based approach to enforcement by focusing on substantial and systemic cases with a broad impact on consumers. We also continued to refine and enhance our case processing:

- We revised our case evaluation method to further promote our risk-based approach to enforcement. The new method also helps ensure that the Agency's compliance resources are used effectively and that the administrative burden on financial institutions is reduced.
- We updated our case management system to better capture the nature of cases under review and improve reporting.

Compliance workshops for financial institutions

Through our ongoing dealings with various federally regulated financial institutions, we recognized a need for better information on their general and specific obligations under FCAC's compliance framework.

In response, we began to develop a comprehensive compliance workshop for federally regulated financial institutions. This is designed specifically to help them understand and meet their obligations. The workshop consists of a series of modules that together cover all aspects of FCAC's compliance framework, including our compliance mandate, the various legislative and regulatory requirements for disclosure and filing, our case processing procedures, and our position on key compliance issues.

We expect to offer these workshops in both official languages during 2007–08. The workshops will be available to all federally regulated financial institutions and can be tailored to meet the specific compliance needs of individual institutions.

New legislation and regulations

While FCAC does not have a policy mandate, the Agency is well positioned to provide its expertise on consumer-related issues in the financial sector. This is based on our front-line experience with consumers, our enforcement expertise and our growing compliance database.

In June 2006, the Government of Canada released a policy paper outlining proposed changes to the legislative framework governing the federal financial sector. The proposed changes included a number of consumer-focused improvements and additions designed to enhance consumer protection in Canada's financial services industry. The changes were enacted into law in March 2007 with the passing of Bill C-37, *An Act to amend the law governing financial institutions and to provide for related and consequential matters.*

During 2006–07, we provided support to the government's policy development activities through our regular reporting mechanisms on key compliance issues. In addition, on request we provided information about specific consumer issues in the financial sector.

We will provide similar support during 2007–08 as the federal government develops regulations to implement the new legislation. We will also help ensure that federally regulated financial institutions take timely and effective action to reflect the new legislation and regulations. And we will help ensure ongoing compliance with the amended policy framework.

Responding to the *concerns of Canadians*

Inquiries and complaints

In reporting annually to Parliament, the Agency must provide information regarding the number and type of issues brought to its attention. The following provides a thorough breakdown of this information. During 2006–07 we received thousands of inquiries, requests and complaints. The charts and tables on the following pages provide a detailed report on what Canadians are concerned about, which parts of the country we hear from most often and which issues we hear about the most.

FCAC serves consumers from all over Canada. **Table 2** shows the number of inquiries and complaints we received in 2006–07. In total, we were contacted 35,290 times.

Table 2: Total contacts received by FCAC, by location

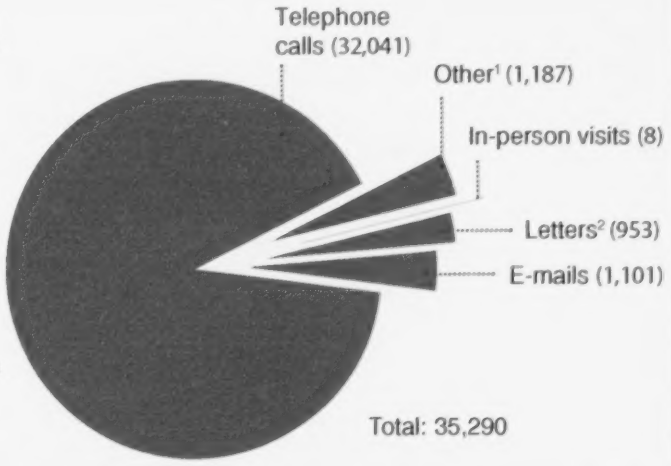
	2005–06[1]	2006–07
Alberta	4,190	3,274
British Columbia	4,685	3,834
Manitoba	1,601	1,283
New Brunswick	1,203	1,159
Newfoundland and Labrador	618	583
Northwest Territories	57	47
Nova Scotia	1,139	1,063
Nunavut	62	46
Ontario	11,976	10,087
Prince Edward Island	164	143
Quebec	11,423	11,016
Saskatchewan	1,165	851
Yukon	23	15
USA	109	101
International, other than USA	65	39
Unknown[2]	1,338	1,749
Total	**39,818**	**35,290**

[1] In late 2005–06, FCAC enhanced its data processing system to track outreach activities more closely. A small number of outreach contacts (251) were recorded in the database.

[2] The location was not indicated by the person contacting FCAC.

Chart 3 shows how we receive inquiries and complaints from consumers (telephone, e-mail, letters and in-person visits). Telephone continued to be the preferred way for consumers to get in touch with us, accounting for more than 90 percent of contacts.

Chart 3: Total contacts received by FCAC, by source, 2006–07



[1] Includes cases initiated by FCAC and self-reported complaints from financial institutions.
[2] Includes letters, faxes and telephone calls that required a written response.

Chart 4 gives a breakdown of inquiries about federally regulated financial institutions. Banks were the subject of 91.5 percent of these inquiries during the year.

Chart 4: Total contacts received by FCAC, by type of federally regulated financial institution, 2006–07

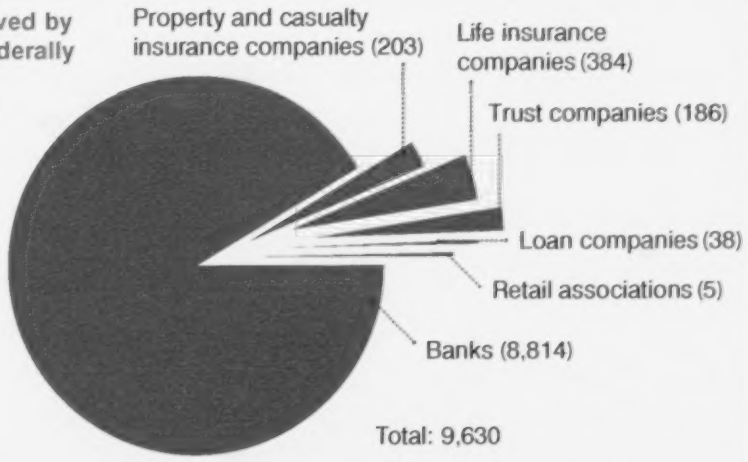
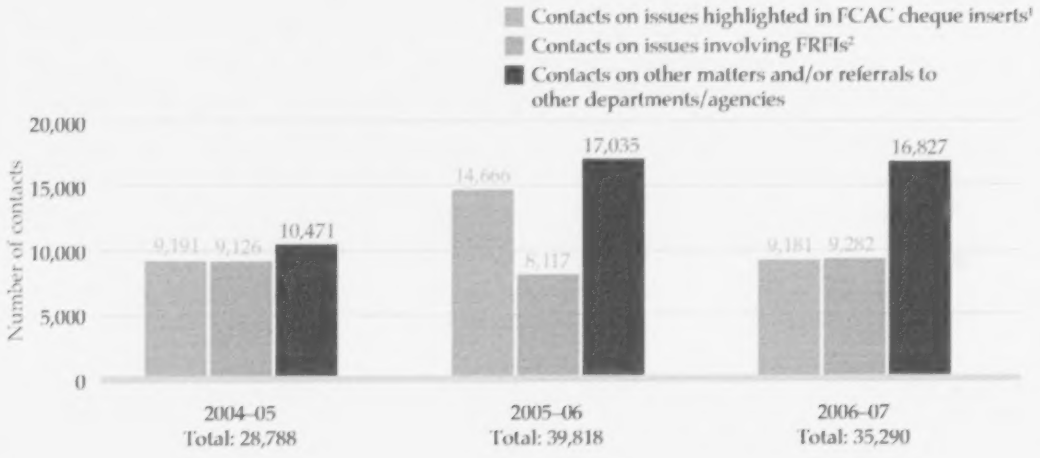


Chart 5 gives a breakdown of the inquiries and complaints we received, organized according to three general subject areas.

Chart 5: Contacts received by FCAC, by subject matter



[1] FCAC's cheque-insert campaigns have centred largely on consumers' rights when dealing with banks. This category may include contacts related to federally regulated financial institutions (FRFIs).

[2] Excludes consumers who called because of cheque inserts.

Table 3 shows the number of inquiries and complaints, and the range of topics about which we were contacted during the year, excluding compliance issues. The top three areas of concern to consumers who contacted us were direct deposits, credit bureaus and cheques.

Table 3: Inquiries and complaints received excluding compliance matters, by category,[1] 2006–07

CATEGORY	INQUIRIES	COMPLAINTS	TOTAL
ACCOUNTS			
ABMs	20	32	52
Access to funds	52	89	141
Account agreements	13	16	29
Account fees	37	69	106
Account information	228	13	241
Bill payments (in-branch)	5	8	13
Cheques	835	261	1,096
Closed	44	70	114
Collection	11	33	44
Debit cards	46	42	88
Direct deposits	3,150	10	3,160
Drafts and money orders	6	34	40
Fraud	26	31	57
Interest rates	10	14	24
Internet banking	10	18	28
Opening	493	109	602
Overdraft	6	15	21
Point-of-sale purchases	8	7	15
Pre-authorized debits	18	44	62
Privacy issues	16	25	41
Quality of service	1	18	19
Record retention	2	1	3
Requests for statistics or data	2	0	2
Right of offset	65	119	184
Statements	21	20	41
Telephone banking	2	3	5
Tied selling	1	0	1
Transfers	33	68	101
Other	11	7	18
Subtotal	**5,172**	**1,176**	**6,348**

Table 3: Inquiries and complaints received excluding compliance matters, by category,[1] 2006–07 (continued)

CATEGORY	INQUIRIES	COMPLAINTS	TOTAL
CREDIT			
Collection	97	326	423
Credit bureaus	972	141	1,113
Credit counselling	218	2	220
Subtotal	**1,287**	**469**	**1,756**
CREDIT CARDS			
Account information	244	17	261
Activation	32	5	37
Applications	175	50	225
Bill payments	305	189	494
Cancellations	101	42	143
Cardholder agreements	39	10	49
Collection	17	103	120
Complaint-handling procedures	2	8	10
Convenience cheques	5	11	16
Debt management	12	6	18
Deposits (secured only)	0	3	3
Fees	56	58	114
Fraud	35	45	80
Insurance	33	24	57
Interest rates	66	64	130
Internet banking	3	1	4
Issuers	222	6	228
Lost or stolen	8	2	10
Point-of-sale purchases	6	8	14
Pre-authorized payments	12	20	32
Privacy issues	8	9	17
Quality of service	6	28	34
Regulatory information	18	0	18
Requests for statistics or data	6	0	6
Reward plans	24	9	33
Solicitation	26	76	102
Telephone banking	0	2	2
Tied selling	1	0	1
Transfer of balances	9	8	17
Other	29	5	34
Subtotal	**1,500**	**809**	**2,309**

Table 3: Inquiries and complaints received excluding compliance matters, by category,[1] 2006–07 (continued)

CATEGORY	INQUIRIES	COMPLAINTS	TOTAL
FINANCIAL INSTITUTIONS			
Bills and coins	13	16	29
Branches	18	10	28
Branch closures	29	40	69
Complaint-handling procedures	43	87	130
Contact information	1,885	4	1,889
Estate matters	52	49	101
Exchange rates	34	9	43
Legitimacy	390	3	393
Maximum interest rate	24	0	24
Quality of service	24	150	174
Regulatory information	203	16	219
Safety deposit boxes	8	15	23
Other	62	12	74
Subtotal	**2,785**	**411**	**3,196**
GENERAL INQUIRIES			
FCAC	363	29	392
Pre-paid cards	13	4	17
Referrals to other departments or organizations	12,206	1,035	13,241
Regulatory information	106	4	110
Refusals to change large bills	1	0	1
Publications[2]	1,820	8	1,828
Small/medium-sized enterprises	91	3	94
Other	237	11	248
Subtotal	**14,837**	**1,094**	**15,931**
INSURANCE			
Car	132	119	251
Home	71	85	156
Life and health	115	146	261
Lines of credit	0	1	1
Loan	0	5	5
Mortgage	7	12	19
Small/medium-sized enterprises	6	2	8
Travel	8	6	14
Not specified	63	28	91
Subtotal	**402**	**404**	**806**

Table 3: Inquiries and complaints received excluding compliance matters, by category,[1] 2006–07 (continued)

CATEGORY	INQUIRIES	COMPLAINTS	TOTAL
INVESTMENTS			
Canada Savings Bonds	302	12	314
Guaranteed investment certificates	31	63	94
Life Income Funds	10	8	18
Mutual funds	41	41	82
Pensions	140	23	163
Registered Education Savings Plans	386	37	423
Registered Retirement Income Funds	10	9	19
Registered Retirement Savings Plans	120	81	201
Stocks	33	38	71
Not specified	70	53	123
Subtotal	**1,143**	**365**	**1,508**
LOANS			
Car loans	101	56	157
Leases	4	5	9
Lines of credit	49	52	101
Mortgages	195	252	447
Payday loans	41	36	77
Personal loans	81	99	180
Student loans	108	31	139
Not specified	119	146	265
Subtotal	**698**	**677**	**1,375**
Grand total	**27,824**	**5,405**	**33,229**

[1] Also excluded are media contacts and outreach contacts.

[2] These contacts represent requests or inquiries strictly about publications. Not included is any case in which the consumer also had questions on another topic.

Compliance issues

Table 4 shows the number and types of compliance inquiries and complaints we received during the past two fiscal years. The total number of compliance contacts was up by 20 percent from 2005–06.

Table 4: Total compliance contacts received, by category[1]

	2005–06[2]	2006–07
Codes of conduct and public commitments		
Complaints	117	120
Inquiries	7	1
Self-reported complaints[3]	18	15
Media inquiries	1	0
Consumer provisions		
Complaints	336	262
Inquiries	9	6
Self-reported complaints	695	1,054
Media inquiries	2	0
Filings	**152**	**124**
Total	**1,337**	**1,582**

[1] For definitions of terms, see Appendix A (Glossary).

[2] The 2005–06 figures have been restated since the publication of the 2005–06 Annual Report to more accurately reflect the year's activities.

[3] To date, the Commissioner has not exercised his right to require financial institutions to self-report complaints related to codes of conduct or public commitments. Instead, the Commissioner has agreed that a financial institution can either self-report or improve public awareness of its codes and commitments.

Table 5 gives an overview of FCAC's compliance caseload by type of compliance issue. In 2006–07, we opened 1,575 compliance cases — up almost 20 percent from the previous year's 1,316. By year's end, we had handled and closed 1,495 of the cases, compared with 1,385 closed in 2005–06.

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and required filings[1]

Consumer provisions	Cases pending at end of 2005–06	Cases opened during 2006–07	Cases closed during 2006–07	Cases pending at end of 2006–07
Accounts				
Charging fees without express agreement	1	1	2	0
Disclosure of charges	9	47	47	9
Disclosure of charges when account is opened	10	83	81	12
Disclosure of interest rates on accounts and method of calculation	3	9	7	5
Disclosure of required information in written notice of refusal	2	0	2	0
Displaying and making available information on the *Access to Basic Banking Services Regulations*	3	0	3	0
General	1	9	9	1
Provision of account agreements and complaint procedures	2	12	9	5
Provision of advance notice for new and/or increased charges	12	86	77	21
Provision of advance notice for new and/or increased charges to second account	0	2	1	1
Provision of written notice of refusal	4	2	6	0
Refusal to open — General	28	84	87	25
Refusal to open because of bankruptcy	1	1	2	0
Refusal to open because of credit history	18	16	28	6
Refusal to open because of lack of employment	1	0	1	0
Refusal to open because of lack of proper identification	11	47	48	10
Branch closures				
General	0	4	2	2
Provision of required notice	0	6	3	3
Requests for public meetings	0	8	5	3
Requests to vary notification requirements	0	1	1	0
Coercive tied selling				
Displaying and making available notice relating to the prohibition on coercive tied selling	3	0	3	0
General	4	22	21	5
Complaint procedures				
Designation of committee to monitor procedures	2	0	2	0
Establishment of complaint-handling procedures	2	3	4	1
Failure to meet filing requirements	2	0	2	0
Requirement for FRFI[2] other than a bank to be a member of a third-party dispute resolution organization	6	1	3	4

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and required filings[1] (continued)

Consumer provisions	Cases pending at end of 2005–06	Cases opened during 2006–07	Cases closed during 2006–07	Cases pending at end of 2006–07
Cost of borrowing — General	3	2	4	1
Credit cards				
Disclosure in plain language	0	2	1	1
Disclosure of changes to non-interest charges	1	8	7	2
Disclosure of changes to the cost of borrowing or credit agreement	5	88	67	26
Disclosure of cost of borrowing expressed as a rate per annum	3	7	6	4
Disclosure of cost of borrowing when issued	20	72	65	27
Disclosure of non-interest charges when issued	8	35	33	10
Disclosure of required information in monthly statements	3	3	3	3
Disclosure of required information in advertisements	2	2	3	1
Disclosure of required information in application forms	5	6	8	3
Disclosure relating to optional services	6	53	51	8
General	2	21	15	8
Provision of monthly statements	44	112	95	61
Disclosure of charges for services	3	41	17	27
Disclosure of cheque holding policy	11	36	40	7
Disclosure of interest rates in advertisements	0	1	0	1
Disclosure of interest rates — General	5	14	13	6
Examination — Institution-specific	1	1	0	2
Failure to inform how to contact FCAC	2	1	3	0
Government of Canada cheques				
Displaying and making available information on the *Access to Basic Banking Services Regulations*	1	0	1	0
Fee charged for cashing	2	10	7	5
Provision of written notice of refusal	1	0	1	0
Refusal to cash	9	21	24	6
Index-linked deposits — Disclosure of required information	0	6	6	0
Lines of credit				
Disclosure of changes to the cost of borrowing or credit agreement	5	28	27	6
Disclosure of cost of borrowing expressed as a rate per annum	0	3	2	1
Disclosure of cost of borrowing when issued	5	21	21	5
Disclosure of non-interest charges when issued	1	2	3	0
Disclosure of prepayment rights	0	2	2	0
Disclosure of required information in advertisements	2	0	1	1
Disclosure relating to optional services	0	7	5	2
General	3	6	7	2
Provision of monthly statements	8	28	29	7

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and required filings[1] (continued)

Consumer provisions	Cases pending at end of 2005–06	Cases opened during 2006–07	Cases closed during 2006–07	Cases pending at end of 2006–07
Loans				
Disclosure of changes to the cost of borrowing or credit agreement	8	9	10	7
Disclosure of cost of borrowing expressed as a rate per annum	1	1	1	1
Disclosure of cost of borrowing when issued	6	11	8	9
Disclosure of information relating to loan repayments, rebates or charges	0	1	1	0
Disclosure of non-interest charges when issued	0	1	1	0
Disclosure of required information in advertisements	0	1	0	1
Disclosure of required information following a missed payment	0	1	0	1
Disclosure relating to optional services	1	2	3	0
General	4	8	6	6
Provision of annual statements	7	11	7	11
Mortgages				
Disclosure in plain language	1	0	1	0
Disclosure of changes to the cost of borrowing or credit agreement	11	29	31	9
Disclosure of cost of borrowing when issued	7	40	33	14
Disclosure of cost of borrowing expressed as a rate per annum	0	5	4	1
Disclosure of information relating to loan repayments, rebates or charges	11	54	48	17
Disclosure of non-interest charges when issued	1	15	13	3
Disclosure provided within a stipulated time frame	0	1	0	1
Disclosure of required information in advertisements	0	1	1	0
Disclosure relating to optional services	0	14	10	4
General	5	13	15	3
Provision of annual statements	0	1	0	1
Requirement to provide 21 days' notice before mortgage renewal date	5	6	8	3
Provision of Public Accountability Statement	3	8	1	10
Subtotal	**357**	**1,316**	**1,225**	**448**
Codes of conduct and public commitments				
Codes of conduct				
Authorized insurance activities	4	14	13	5
Debit card code	25	54	53	26
Small Business Banking Code of Conduct	1	11	10	2
Subtotal	**30**	**79**	**76**	**33**

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and required filings[1] (continued)

Codes of conduct and public commitments	Cases pending at end of 2005–06	Cases opened during 2006–07	Cases closed during 2006–07	Cases pending at end of 2006–07
Public commitments				
Agreement to offer low-cost accounts	2	0	2	0
Accessibility of complaint procedures	3	11	11	3
Credit cards — General	1	0	1	0
Credit cards — Visa E-Promise	0	1	1	0
Credit cards — Zero liability	9	30	29	10
Guidelines for the Transfer of Registered Plans	1	6	4	3
Undertaking on unsolicited services	2	8	9	1
Subtotal	**18**	**56**	**57**	**17**

Filings	Filings pending at end of 2005–06	Filings received during 2006–07	Filings closed during 2006–07	Filings pending at end of 2006–07
Branch closures				
Provision of closure notice	4	71	75	0
Provision of closure notice — Less than 500 metres[3]	0	25	24	1
Provision of notice for in-store, agency or satellite branches[3]	0	4	4	0
Provision of notice for temporary closure[3]	0	1	1	0
Provision of complaint-handling procedures by new institutions	6	7	12	1
Public Accountability Statements	7	14	16	5
Revised complaint-handling procedures[3]	3	2	5	0
Subtotal	**20**	**124**	**137**	**7**
Grand total 2006–07	**425**	**1,575**	**1,495**	**505**

[1] In some areas reclassification has necessitated restatement of the 2005–06 data. FCAC may reclassify a case in which further investigation reveals that the complaint or inquiry relates to a different issue from that originally identified.

[2] FRFI: federally regulated financial institution.

[3] These filings are not required by legislation but were submitted by the financial institutions concerned to keep the Commissioner informed. No filing is required if a branch relocates to a site within 500 metres of its previous place of business.

Table 6 presents the outcome of the 11 compliance cases closed in 2006–07 on which the Agency took action. In all cases, the Commissioner found violations of federal statutes.

Table 6: Compliance cases closed where action was taken, 2006–07

Consumer provisions	Number of cases closed with violations	Number of violations identified	Commissioner's decisions
Accounts			
Failure to display and make available information on the *Access to Basic Banking Services Regulations*[1]	1	1	1 Notice of Violation and Administrative Monetary Penalty ($5,000)
Failure to disclose charges	1	1	1 Notice of Decision and Administrative Monetary Penalty ($5,000)
Credit cards			
Failure to provide monthly statements	1	1	1 Notice of Decision and Administrative Monetary Penalty ($5,000)
Failure to disclose cost of borrowing expressed as a rate per annum	2	2	2 Notices of Decision, no Administrative Monetary Penalty
Failure to disclose cost of borrowing when card issued	3	2	1 Notice of Decision and Administrative Monetary Penalty ($20,000)
Failure to disclose required information in application forms	2	9	1 Notice of Decision and Administrative Monetary Penalty ($30,000) 1 Notice of Decision and Administrative Monetary Penalty ($20,000)
Government of Canada cheques			
Failure to display and make available information on the *Access to Basic Banking Services Regulations*[1]	1	1	See note 1, below.
Total	**11**	**17**	**$85,000 in Administrative Monetary Penalties[2]**

[1] The Commissioner issued the same Notice of Violation and imposed the same Administrative Monetary Penalty ($5,000) for these two cases.

[2] Because they use accrual accounting, FCAC Financial Statements report the total Administrative Monetary Penalties as $101,000. This amount includes an additional $16,000 in penalties assessed in 2006–07 for cases that were not yet closed at that year's end.

Table 7 shows the number of cases closed during the year that were related to consumer provisions.

Table 7: Cases closed relating to the consumer provisions, by type of disposition,[1] 2006–07

Consumer provisions
Accounts
Charging fees without express agreement
Disclosure of charges
Disclosure of charges when account is opened
Disclosure of interest rates on accounts and method of calculation
Disclosure of required information in written notice of refusal
Displaying and making available information on the *Access to Basic Banking Services Regulations*
General
Provision of account agreements and complaint procedures
Provision of advance notice for new and/or increased charges
Provision of advance notice for new and/or increased charges to second account
Provision of written notice of refusal
Refusal to open — General
Refusal to open because of bankruptcy
Refusal to open because of credit history
Refusal to open because of lack of employment
Refusal to open because of lack of proper identification
Branch closures
Provision of required notice
Requests for public meetings
General
Requests to vary notification requirements
Coercive tied selling
Displaying and making available notice relating to the prohibition on coercive tied selling
General
Complaint procedures
Establishment of complaint-handling procedures
Failure to meet filing requirements
Requirement for FRFI[4] other than a bank to be a member of a third-party dispute resolution organization
Designation of committee to monitor procedures
Cost of borrowing
Credit cards
Disclosure in plain language
Disclosure of changes to non-interest charges
Disclosure of changes to the cost of borrowing or credit agreement
Disclosure of cost of borrowing expressed as a rate per annum
Disclosure of cost of borrowing when issued

Addressed at the industry level	Addressed in a Compliance Agreement[2]	Non-substantive	Non-violation	Not a compliance matter[3]	Other	Violation	Withdrawn	Not granted	Granted	Examination complete	Total number of cases closed
		1					1				2
		3	37	5		1	1				47
			74	7							81
			7								7
			2								2
			2			1					3
				7			2				9
		2	6	1							9
			70	3			4				77
			1								1
1			3		1		1				6
	3	1	63	17	1		2				87
			1				1				2
	2		18	2	2		4				28
							1				1
	1	1	42	3			1				48
		1	2								3
							3	2			5
			2								2
									1		1
			3								3
		1	15	4			1				21
			4								4
			2								2
		1	2								3
			2								2
			4								4
			1								1
			7								7
1		1	61	1			3				67
			4			2					6
5		1	51	3		3	1			1	65

Table 7: Cases closed relating to the consumer provisions, by type of disposition,[1] 2006–07 (continued)

Consumer provisions
Disclosure of non-interest charges when issued
Disclosure of required information in monthly statements
Disclosure of required information in an advertisement
Disclosure of required information in application forms
Disclosure relating to optional services
General
Provision of monthly statements
Disclosure of charges
Disclosure of cheque holding policy
Disclosure of interest rates — General
Failure to inform how to contact FCAC
Government of Canada cheques
Displaying and making available information on the *Access to Basic Banking Services Regulations*
Fee charged for cashing
Provision of written notice of refusal
Refusal to cash
Index-linked deposits — Disclosure of required information
Lines of credit
Disclosure of changes to the cost of borrowing or credit agreement
Disclosure of cost of borrowing expressed as a rate per annum
Disclosure of cost of borrowing when issued
Disclosure of non-interest charges when issued
Disclosure of prepayment rights
Disclosure of required information in an advertisement
Disclosure relating to optional services
General
Provision of monthly statements
Loans
Disclosure of changes to the cost of borrowing or credit agreement
Disclosure of cost of borrowing expressed as a rate per annum
Disclosure of cost of borrowing when issued
Disclosure of information relating to loan repayments, rebates or charges
Disclosure of non-interest charges when issued
Disclosure relating to optional services
General
Provision of annual statements

Addressed at the industry level	Addressed in a Compliance Agreement[2]	Non-substantive	Non-violation	Not a compliance matter[3]	Other	Violation	Withdrawn	Not granted	Granted	Examination complete	Total number of cases closed
			31	1			1				33
		2		1							3
		1	2								3
		1	4	1		2					8
			43	8							51
2			5	8							15
8		17	61	4	1	1	3				95
			14	3							17
		2	36	2							40
		4	8	1							13
		1	1	1							3
						1					1
			6				1				7
			1								1
	4	1	11	3			5				24
		1	5								6
3		5	17		1						27
			2								2
4			16	1							21
			3								3
			2								2
			1								1
			4	1							5
1		2	3	1							7
9		2	17				1				29
1		2	6		1						10
			1								1
		1	5	2							8
				1							1
			1								1
			3								3
		3		2			1				6
		1	4	1	1						7

Table 7: Cases closed relating to the consumer provisions, by type of disposition,[1] 2006–07 (continued)

Consumer provisions	
Mortgages	
Disclosure in plain language	
Disclosure of changes to the cost of borrowing or credit agreement	
Disclosure of cost of borrowing expressed as a rate per annum	
Disclosure of cost of borrowing when issued	
Disclosure of information relating to loan repayments, rebates or charges	
Disclosure of non-interest charges when issued	
Disclosure of required information in an advertisement	
Disclosure relating to optional services	
General	
Requirement to provide 21 days' notice before mortgage renewal date	
Provision of Public Accountability Statement	
Total	

[1] For a definition of these terms, see Appendix A (Glossary).

[2] Compliance Agreements also include less formal action plans.

[3] After further review, it was decided that the case was not a compliance matter.

[4] FRFI: federally regulated financial institution.

Addressed at the industry level	Addressed in a Compliance Agreement[2]	Non-substantive	Non-violation	Not a compliance matter[3]	Other	Violation	Withdrawn	Not granted	Granted	Examination complete	Total number of cases closed
		1									1
4		12	10	5							31
			4								4
1		5	24	3							33
6			38	3			1				48
		1	10	1			1				13
			1								1
			8	1			1				10
		4	5	4	1		1				15
2		1	5								8
		1									1
48	**10**	**85**	**904**	**112**	**9**	**11**	**42**	**2**	**1**	**1**	**1,225**

Table 8 shows how FCAC dealt with cases related to codes of conduct and public commitments in 2006–07. We handled and closed 133 cases during the year; these dealt mostly with the debit card code and credit cards (zero liability).

Table 8: Compliance cases closed relating to codes of conduct and public commitments,[1] by type of disposition, 2006–07

	Compliance	Non-compliance	Withdrawn	Not a compliance matter[2]	Total cases closed during 2006–07
Codes of conduct					
Authorized insurance activities	10	0	0	3	13
Debit card code	32	8	10	3	53
Small Business Banking Code of Conduct	6	0	2	2	10
Public commitments					
Accessibility of complaint procedures	10	0	1	0	11
Agreement to offer low-cost accounts	2	0	0	0	2
Credit cards — General	0	0	0	1	1
Credit cards — Visa E-promise	1	0	0	0	1
Credit cards — Zero liability	24	1	4	0	29
Guidelines for the Transfer of Registered Plans	3	0	1	0	4
Undertaking on unsolicited services	5	3	0	1	9
Total	**93**	**12**	**18**	**10**	**133**

[1] For a definition of these terms, see Appendix A (Glossary) and Appendix C (Major codes of conduct and public commitments monitored by FCAC).

[2] After further review, it was decided that the case was not a compliance matter.

Table 9 shows how we managed complaints about branch closures during the past two years.

Table 9: Matters related to branch closures

	2005–06	2006–07
Closure notices filed by financial institutions[1]	109	101
Complaints received related to branch closures[2]	19	40
Requests to change the branch closure notice requirements		
Received	0	0
Pending	0	0
Granted	0	1
Not granted	0	0
Requests for public meetings on branch closures[3]		
Received	4	7
Pending	0	3
Withdrawn	2	3
Number of branches closing for which meeting requests were received, and meetings were or were not required		
Branches for which meeting requests were received	3	8
Branches for which meetings were required by the Commissioner	0	0
Branches for which meetings were not required by the Commissioner[4]	2	2

[1] This is the total number of branch closure filings, including filings for facilities not falling under the regulatory definition of a branch, as well as requests to vary the required notice.

[2] These are complaints related to branch closures; the complainants did not request a meeting.

[3] Some were multiple requests pertaining to the same branch.

[4] Institutions will often voluntarily hold a public meeting without a formal requirement from the Commissioner.

FCAC's *operations*

Operational roles and responsibilities

Commissioner

The Commissioner of the Financial Consumer Agency of Canada is appointed for a period of up to five years. The position has been filled by Jim Callon in an acting capacity since November 1, 2006.

The Commissioner's responsibilities include:

- reporting to Parliament annually through the Minister of Finance, and to the Minister of Finance regularly, about the Agency's activities and findings;
- managing FCAC's operations, including all aspects of its programs, finances, administration and human resources;
- supervising 429 federally regulated financial institutions to determine whether they are complying with applicable consumer protection legislation, and with their own voluntary codes of conduct and public commitments; and
- providing national education initiatives to identify and meet consumers' needs for financial knowledge.

FCAC's Commissioner is an ex officio member of the Board of Directors of the Canada Deposit Insurance Corporation (CDIC). The Commissioner is also a member of the Financial Institutions Supervisory Committee, chaired by the Superintendent of Financial Institutions, as well as the Senior Advisory Committee, chaired by the Deputy Minister of Finance. In this latter capacity, the Commissioner adds his insights and consumer expertise to the policy advice provided by the committee to the Minister of Finance on key financial issues.

Consumer Education and Public Affairs Branch

The *Financial Consumer Agency of Canada Act* mandates FCAC to promote consumer awareness about the obligations of financial institutions under the applicable consumer provisions, and to foster an understanding of financial services and related issues. To fulfill this requirement, the Agency's Consumer Education and Public Affairs Branch is responsible for:

- producing information materials to enhance consumers' knowledge of financial institutions' legal obligations, and of financial products and services;
- carrying out research and surveys;
- disseminating information via the media, the FCAC Web site and stakeholders;
- reaching out to community groups, associations and other stakeholders;
- handling correspondence with consumers; and
- supporting the needs of FCAC's call centre (operated by CDIC).

Compliance and Enforcement Branch

FCAC's Compliance and Enforcement Branch monitors financial institutions to ensure that they comply with the consumer provisions of the *Bank Act*, the *Trust and Loan Companies Act*, the *Insurance Companies Act*, and the *Cooperative Credit Associations Act*.

The consumer provisions are listed in Appendix B. Generally, they deal with:

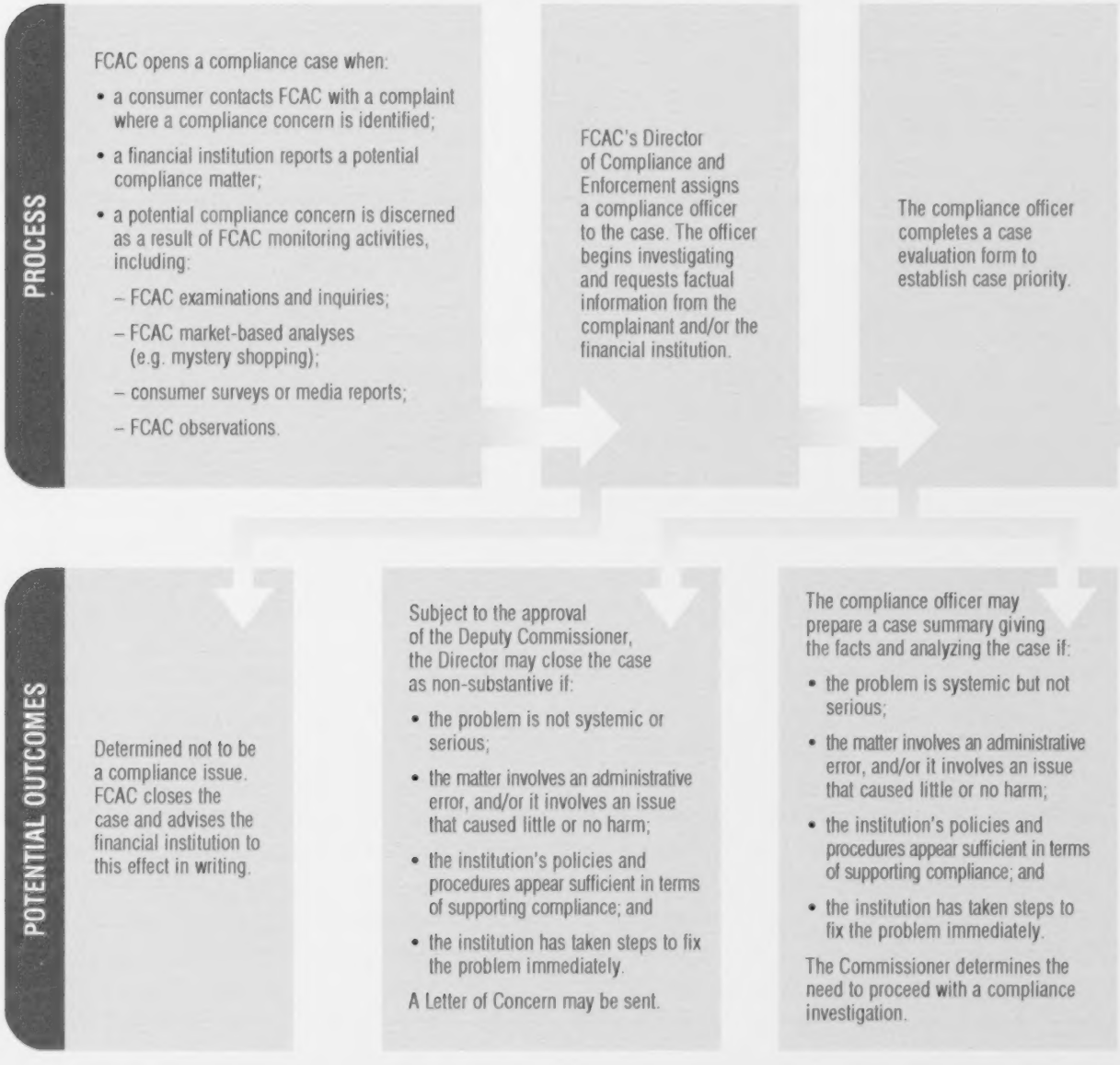
- opening retail deposit accounts;
- cashing federal government cheques;
- closing retail branches;
- coercive tied selling;
- disclosing cheque holding policies;
- providing information to consumers about FCAC when they have a complaint about a product or service;
- disclosing information about account charges and interest;
- producing Public Accountability Statements;
- establishing procedures for dealing with complaints; and
- disclosing the cost of borrowing.

The Branch also monitors and reports on compliance with voluntary codes of conduct and public commitments adopted by federally regulated financial institutions either directly or through an industry association. The codes cover topics such as debit cards and credit relations with small businesses.

In addition, the Branch is responsible for:

- investigating complaints and dealing with compliance issues related to the consumer provisions in any of the legislation within FCAC's jurisdiction;
- managing the Agency's compliance framework and ensuring that federally regulated financial institutions conform to it;
- monitoring the Agency's tracking systems to identify compliance trends;

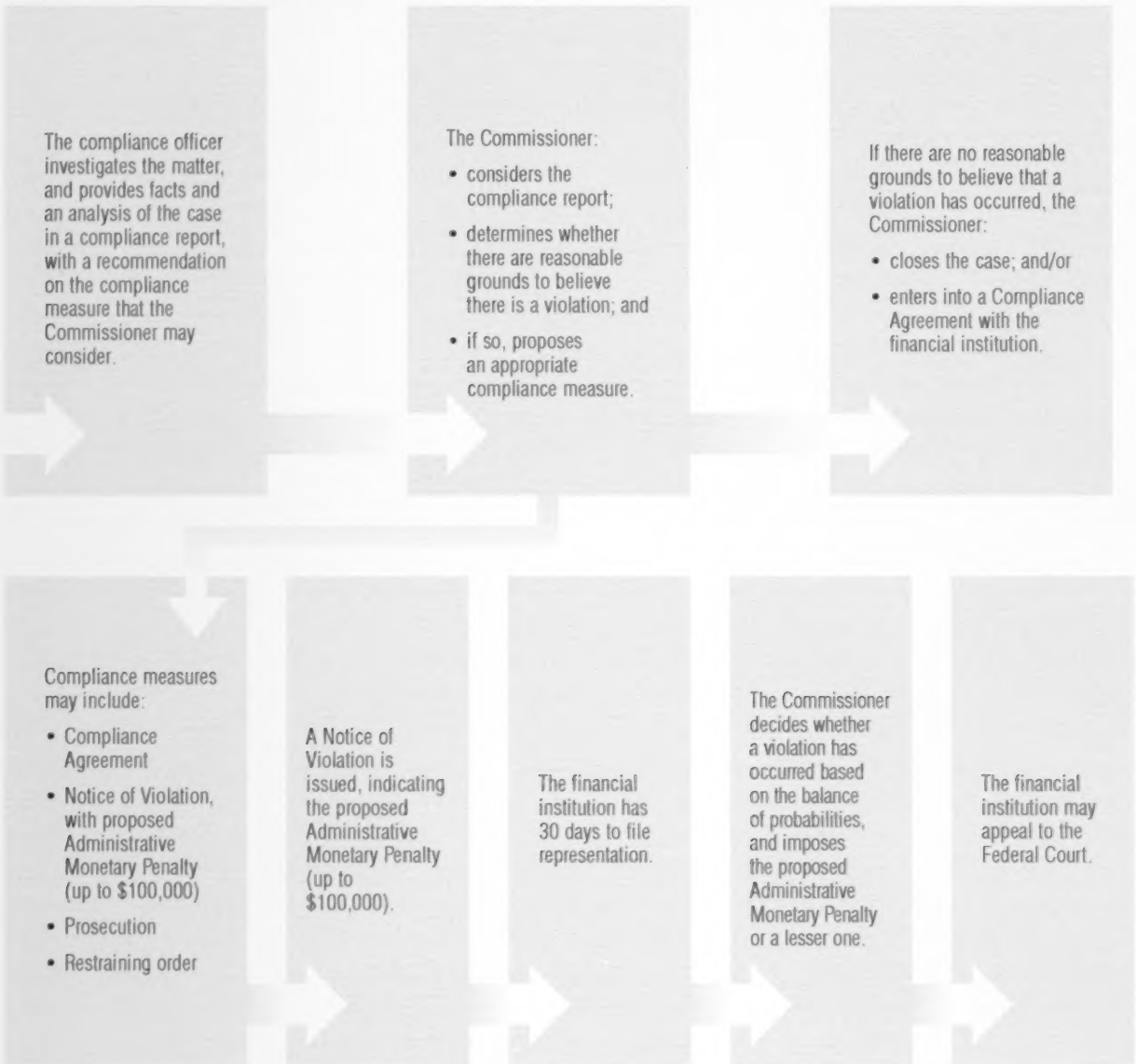
Chart 6: Compliance case management process, as of March 31, 2007


PROCESS
FCAC opens a compliance case when:
• a consumer contacts FCAC with a complaint where a compliance concern is identified;
• a financial institution reports a potential compliance matter;
• a potential compliance concern is discerned as a result of FCAC monitoring activities, including:
– FCAC examinations and inquiries;
– FCAC market-based analyses (e.g. mystery shopping);
– consumer surveys or media reports;
– FCAC observations.
FCAC's Director of Compliance and Enforcement assigns a compliance officer to the case. The officer begins investigating and requests factual information from the complainant and/or the financial institution.
The compliance officer completes a case evaluation form to establish case priority.
POTENTIAL OUTCOMES
Determined not to be a compliance issue. FCAC closes the case and advises the financial institution to this effect in writing.
Subject to the approval of the Deputy Commissioner, the Director may close the case as non-substantive if:
• the problem is not systemic or serious;
• the matter involves an administrative error, and/or it involves an issue that caused little or no harm;
• the institution's policies and procedures appear sufficient in terms of supporting compliance; and
• the institution has taken steps to fix the problem immediately.
A Letter of Concern may be sent.
The compliance officer may prepare a case summary giving the facts and analyzing the case if:
• the problem is systemic but not serious;
• the matter involves an administrative error, and/or it involves an issue that caused little or no harm;
• the institution's policies and procedures appear sufficient in terms of supporting compliance; and
• the institution has taken steps to fix the problem immediately.
The Commissioner determines the need to proceed with a compliance investigation.

- encouraging financial institutions to develop policies and procedures for implementing the consumer provisions that apply to them; and
- promoting a culture of compliance within federally regulated financial institutions.

Among the Branch's tools for monitoring compliance are market-based analyses (mystery shopping), consumer surveys, analyses of complaints and inquiries, annual and special examinations of federally regulated financial institutions, and studies by third parties.

FCAC meets regularly with financial institutions. Some of the meetings take place quarterly to share information on topics of common interest, such as monitoring activities, industry-wide compliance matters, and the Commissioner's position on compliance with legislation, regulations, voluntary codes and public commitments. The Agency's goal is to protect Canadian consumers of financial products and services, and to promote regulatory compliance. This requires cooperation from financial institutions.


The compliance officer investigates the matter, and provides facts and an analysis of the case in a compliance report, with a recommendation on the compliance measure that the Commissioner may consider.
The Commissioner:
• considers the compliance report;
• determines whether there are reasonable grounds to believe there is a violation; and
• if so, proposes an appropriate compliance measure.
If there are no reasonable grounds to believe that a violation has occurred, the Commissioner:
• closes the case; and/or
• enters into a Compliance Agreement with the financial institution.
Compliance measures may include:
• Compliance Agreement
• Notice of Violation, with proposed Administrative Monetary Penalty (up to $100,000)
• Prosecution
• Restraining order
A Notice of Violation is issued, indicating the proposed Administrative Monetary Penalty (up to $100,000).
The financial institution has 30 days to file representation.
The Commissioner decides whether a violation has occurred based on the balance of probabilities, and imposes the proposed Administrative Monetary Penalty or a lesser one.
The financial institution may appeal to the Federal Court.

Administrative Services

FCAC's Administrative Services manage finances, human resources, access to information and privacy issues, facilities, records, informatics, security, occupational health and safety, mail and courier services, and the distribution of publications.

We contract with the Office of the Superintendent of Financial Institutions for human resources, internal audit services, financial services and resource/library services, and with Public Works and Government Services Canada for technology and communications services.

Legal Services

The Department of Justice Canada provides FCAC with legal services. A senior counsel from the Department is part of our management team and reports directly to the Commissioner, advising on all aspects of the Agency's mandate and operations.

Modern management

FCAC is committed to effective, citizen-focused programs that reflect the Agency's Results-based Management and Accountability Framework (RMAF). When and where required, we implement and update our action plan for improving our management processes. This year, we continued to concentrate efforts in the following four categories.

1) Integrated performance information

The RMAF remains the cornerstone of FCAC's performance evaluation strategy. The framework includes:

- a logic model that ensures the Agency's program of planned activities, related outputs and intended outcomes conforms to its legislated mandate;
- an evaluation strategy that presents the evaluation issues, questions and data; and
- a reporting strategy.

The performance indicators and methodology for FCAC's evaluation strategy and plan use data from our extensive and ongoing performance measurement. Our Web-based Integrated Case Management System captures data and information related to our consumer contacts. We continuously enhance our data capturing and tracking systems to ensure that the information required by the RMAF is collected and used effectively and efficiently for reporting and decision-making purposes.

FCAC's annual *Program and Performance Management Evaluation Report* (available on our Web site) consolidates the Agency's achievements and results for each fiscal year. The report also compares actual results with performance targets and commitments for the year. These targets and commitments are an integral part of FCAC's business plan.

To effectively monitor operations, we produce weekly, biweekly and monthly statistical and managerial reports. In 2006–07, we also developed and produced quarterly scorecards for specific data and performance indicators, as defined by the business plan.

In addition, on a trial basis we introduced a performance measurement framework to guide FCAC projects and ensure that they are the best means to achieve the Agency's strategic goals. In 2007–08, we aim to expand the performance measurement framework to all pertinent projects.

In 2005–06, FCAC engaged in a benchmarking exercise with other national and international organizations to refine and reaffirm our performance standards. As follow-up, we have introduced performance targets and commitments for services to consumers. To ensure that we fulfill these targets and commitments expeditiously to meet consumers' needs, we continue to review the Agency's processes and procedures, particularly those related to our Consumer Contact Centre and our Correspondence Unit.

Finally, we carried out the Agency's first stakeholder and partner survey. An important tool of the RMAF, the survey allows us to assess various program elements. The results provide benchmarks that we will use to monitor progress in selected program areas. We intend to repeat the survey every three years.

2) Human resources

In 2006–07, we carried out our second Human Resources Plan. This is a process for reviewing critical positions, new positions required (as identified by our business plan), expected retirements, essential skills, training requirements and development opportunities. Following human resources assessments conducted by senior management, we completed our staffing plan for 2007–08.

We again surveyed our employees to gain their perspective on various organizational issues and gauge their level of satisfaction in relation to these issues. Staff members continue to rate the Agency highly as a good place in which to work.

3) Integrated risk management

In the past fiscal year we updated some elements of FCAC's risk profile. We also developed and updated, where pertinent, risk management reports for monitoring progress on implementation of principal risk-mitigating efforts. At least annually, we present follow-up reports to the Agency's Audit Committee.

Our 2007–09 business plan incorporates some of our major risks, along with efforts that will help mitigate these risks.

4) Rigorous stewardship

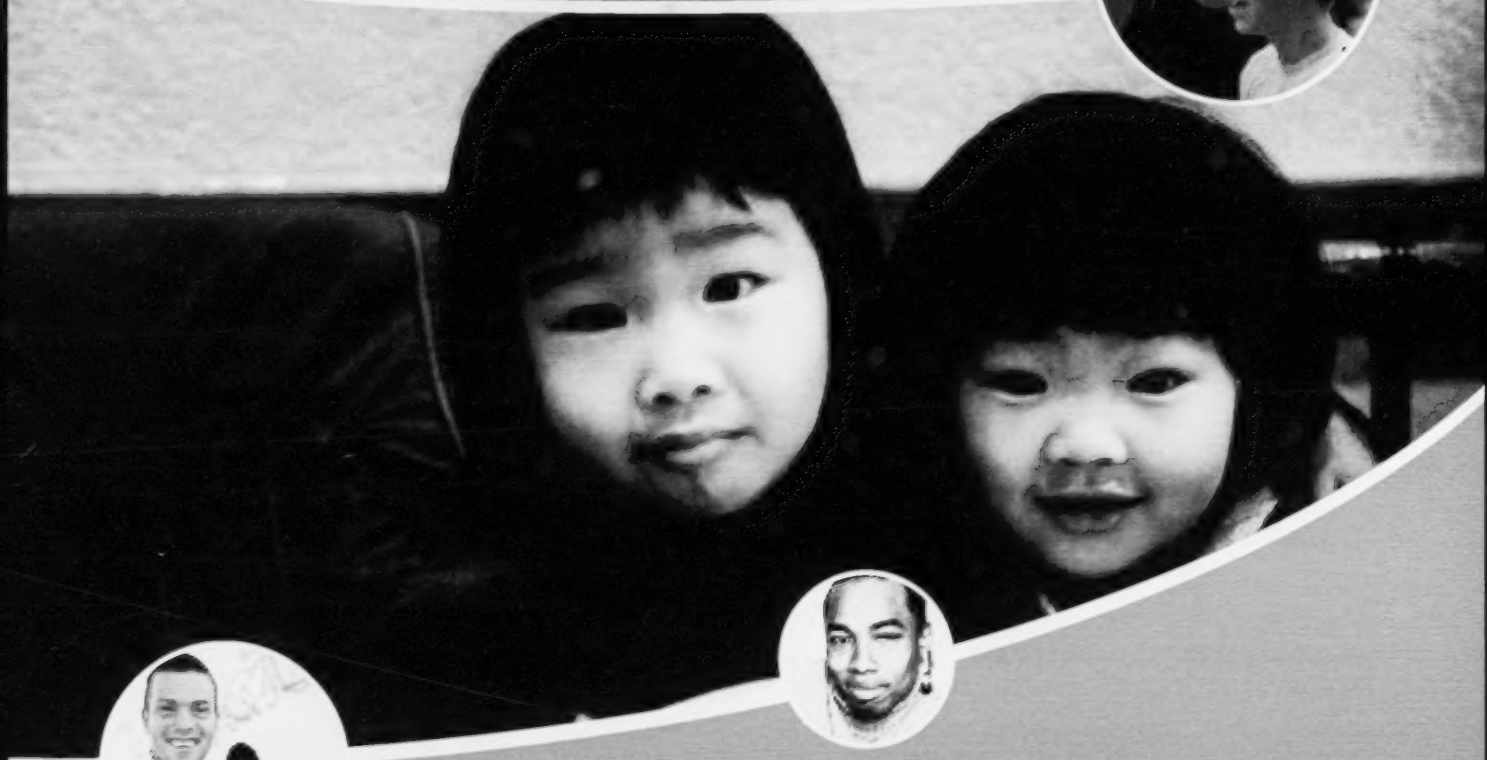
We continue to work with the Office of the Superintendent of Financial Institutions for our internal audit services, and with the Office of the Auditor General of Canada for our annual audit of financial statements.

All pertinent documentation related to FCAC's audits is presented to our Audit Committee. Internal audit reports are made publicly available on the Agency's Web site.

Following updates to FCAC's corporate risk profile and the business process risk matrix, we also updated the Agency's multi-year internal audit plan. In 2006–07, we carried out our third internal audit program; it focused on a review of the Case Process for Consumer Provisions Complaints.

In other stewardship areas, we continued to strengthen our reporting to enhance senior management's decision-making process.

FCAC's *performance*



Consumer service

We track our timed performance in consumer service in three main areas: the Consumer Contact Centre, the Correspondence Unit, and the Compliance and Enforcement Branch.

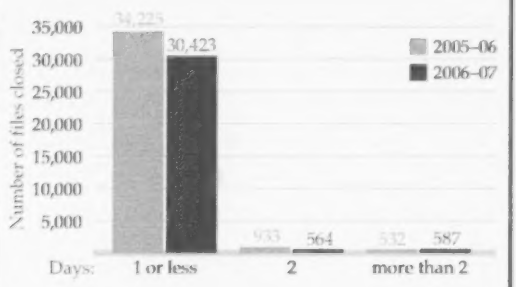
Consumer Contact Centre

The Consumer Contact Centre answers telephone inquiries from consumers. In 2006–07, the average wait time to speak to one of our representatives was 28 seconds for the majority of callers. More than 96 percent of telephone inquiries were fully addressed the same day. For details, see **Chart 7**.

Correspondence Unit

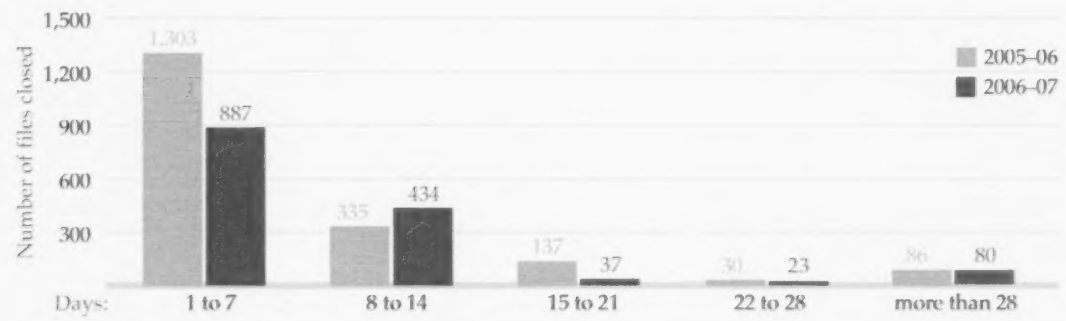
The Correspondence Unit handles e-mail messages and letters from consumers. In 2006–07, the Unit processed more than 90 percent of these communications within 14 working days of their receipt, up from 86.5 percent in the previous year. **Chart 8** provides more details.

Chart 7: Time taken to close a file related to a telephone call received by the Consumer Contact Centre[1]



[1] Excludes media, outreach and compliance contacts.

Chart 8: Time taken to close a file generated by a consumer's letter, an e-mail, or an in-person visit for non-compliance related matters[1]

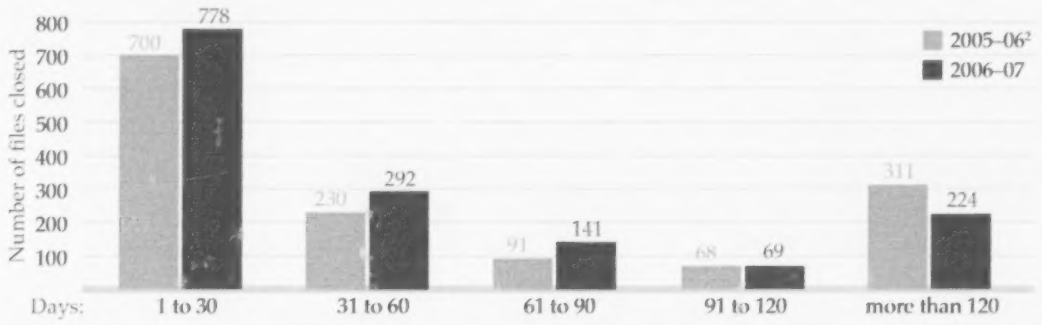


[1] Also includes telephone calls that required a written response. Excludes media and outreach contacts.

Compliance and Enforcement Branch

The Compliance and Enforcement Branch processes compliance-related files as expeditiously and effectively as possible. As shown in **Chart 9**, in the past fiscal year the Branch closed almost 52 percent of files within 30 working days. More than 71 percent of all cases were closed within 60 working days.

Chart 9: Time taken to close a file related to a compliance matter[1]



[1] Includes consumer complaints and inquiries, self-reported complaints, and filings. Excludes media contacts.

[2] The 2005–06 figures have been restated since the publication of the 2005–06 Annual Report to more accurately reflect the year's activities.

We publish detailed information about our performance in our annual *Program and Performance Management Evaluation Report*. The report is available on our Web site and in print.

Financial *statements*

Financial highlights 2006–07

The Financial Consumer Agency of Canada is a federal government department that is funded through industry assessments paid by federally regulated financial institutions. Banks pay more than 90 percent of FCAC's costs since most of the consumer provisions overseen by the Agency apply to them and their financial products.

The budget for 2006–07 was $8.54 million; at the conclusion of the fiscal year, total expenses amounted to $8.04 million. The surplus of approximately $500,000 included a $200,000 annual budget contingency allowance that was not required. A surplus was recorded notably in the budget centre for human resources costs as a result of the longer-than-expected recruitment time for some positions.

The Agency continued to expand its use of carefully focused initiatives, such as inserting information with mail-outs of Government of Canada cheques. While doing this, FCAC maintained its participation in the touring Canada Pavilion and other events attracting wide audiences. In a 2006–07 survey undertaken by the Agency, stakeholders and partners indicated that participation in public events and forums was a good networking opportunity for FCAC. Moreover, they saw mail-outs of information with government cheques as an efficient and cost-effective strategy. Also in 2006–07, FCAC undertook a focused media campaign in the Atlantic provinces, during which it participated in the Canada Pavilion in Moncton, New Brunswick.

In all these ways the Agency has worked to foster public awareness of the services provided by the federal government to financial consumers.

In 2006–07, to deal with increased workload pressures and specific activities included in its business plan, FCAC added two positions:

- an administrative assistant on an indeterminate basis; and
- a Web designer for a one-year term.

From its inception, the Agency has been guided by the management principle that it should concentrate on delivering the program called for in its legislation. We have therefore opted to use common and/or shared services for the provision of generic corporate services when it is cost-effective to do so.

FCAC continues to be committed to the concept of common services agreements and has in place arrangements with the following organizations:

- the Office of the Superintendent of Financial Institutions for human resources, accounting and administration, internal audit services, and research services; and
- the Canada Deposit Insurance Corporation for a joint call centre.

These strategic partnerships give the Agency the flexibility needed to manage an evolving program as cost-effectively and efficiently as possible.

The Agency is continuing to implement its multi-year internal audit plan, developed in 2005–06.

During the past fiscal year we undertook FCAC's third internal audit: a review of the Agency's procedure for handling cases related to consumer provision complaints. The results of the review were posted on FCAC's Web site in early 2007–08.

The Office of the Auditor General of Canada continues to perform an annual audit of FCAC's financial statements.

The Agency's management is committed to delivering an effective program that meets the expectations of Parliament and Canadian consumers. At the same time it continues to fully support the principles of modern management and strives to implement them.

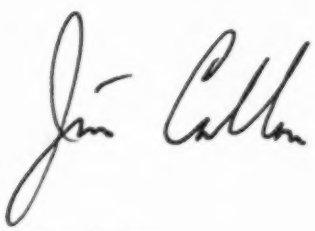
Financial Consumer Agency of Canada

Management's Responsibility for the Financial Statements

Responsibility for the integrity and objectivity of the accompanying financial statements, and their consistency with all other information contained in this annual report, rests with the management of the Financial Consumer Agency of Canada (FCAC).

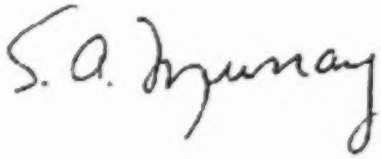
These financial statements, which include amounts based on management's best estimates as determined through experience and judgment, have been prepared in accordance with Canadian generally accepted accounting principles for the private sector. Management has developed and maintained books of accounts, records, internal controls, management practices and information systems designed to provide reasonable assurance that the assets are safeguarded and controlled, resources are managed economically and efficiently in the attainment of corporate objectives, and transactions are in accordance with the *Financial Administration Act* and regulations, as well as with FCAC policies and statutory requirements.

The Auditor General of Canada, the independent auditor for the Government of Canada, has audited the financial statements of FCAC, and reports on her audit to the Minister of Finance.



Jim Callon

Acting Commissioner
Financial Consumer Agency of Canada



Susan Murray

Acting Deputy Commissioner
Financial Consumer Agency of Canada

Ottawa, Canada
May 18, 2007

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Finance

I have audited the Balance Sheet of the Financial Consumer Agency of Canada as at March 31, 2007 and the statements of operations and equity of Canada and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Michael A. Pickup, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
May 18, 2007

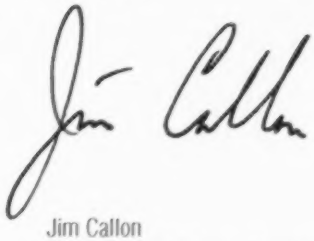
Financial Consumer Agency of Canada

Balance Sheet

As at March 31, 2007

	Note	2007	2006
ASSETS			
Current			
Cash Entitlement		$ 1,476,015	$ 1,557,202
Assessments Receivable		50,320	61,896
Accrued Assessments		128,244	—
Other Assets		119,042	136,079
Capital Assets	4	285,163	275,498
TOTAL ASSETS		**$ 2,058,784**	**$ 2,030,675**
LIABILITIES			
Current			
Accounts Payable and Accrued Liabilities		$ 1,797,293	$ 974,406
Unearned Revenue		—	847,968
Employee Future Benefits	6.b	261,491	208,301
Total Liabilities		**2,058,784**	**2,030,675**
Equity of Canada		—	—
TOTAL LIABILITIES AND EQUITY OF CANADA		**$ 2,058,784**	**$ 2,030,675**
Commitments	8		

Approved by:



Jim Callon
Acting Commissioner, Financial Consumer Agency of Canada

The accompanying notes are an integral part of these Financial Statements.

Financial Consumer Agency of Canada

Statement of Operations and Equity of Canada

For the year ended March 31, 2007

	Note	2007	2006
REVENUE			
Assessments		$ 8,025,626	$ 7,291,054
Other Revenue		13,618	718
Total Revenue		**8,039,244**	**7,291,772**
EXPENSES			
Salaries and Benefits		4,142,349	4,060,273
Professional Services		1,822,356	1,236,837
Administrative and Other		676,507	541,435
Accommodation		594,860	671,161
Information Management/Technology		509,745	516,182
Interest		166,329	111,820
Travel		127,098	154,064
Total Expenses		**8,039,244**	**7,291,772**
Operating Results before Administrative Monetary Penalties		—	—
Administrative Monetary Penalties	9	101,000	35,000
Administrative Monetary Penalties earned on behalf of the Government		(101,000)	(35,000)
Net Operating Results		—	—
EQUITY OF CANADA, BEGINNING OF YEAR		—	—
EQUITY OF CANADA, END OF YEAR		**$ —**	**$ —**

The accompanying notes are an integral part of these Financial Statements.

Financial Consumer Agency of Canada

Statement of Cash Flows

For the year ended March 31, 2007

	Note	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Financial Institutions		$ 7,360,815	$ 7,912,343
Cash Paid to Suppliers and Employees		(7,070,188)	(7,881,607)
Interest Paid		(166,304)	(160,315)
Non-Respendable Administrative Monetary Penalties Remitted to the Consolidated Revenue Fund	9	(101,000)	(35,000)
Cash (Used) Provided by Operating Activities		**23,323**	**(164,579)**
INVESTING ACTIVITIES			
Acquisition of Capital Assets	4	(104,510)	(25,565)
Cash Used for Investing Activities		**(104,510)**	**(25,565)**
FINANCING ACTIVITIES			
New Borrowings		5,000,000	4,500,000
Repayments		(5,000,000)	(6,000,000)
Cash Used by Financing Activities		—	**(1,500,000)**
NET DECREASE IN CASH ENTITLEMENT		**(81,187)**	**(1,690,144)**
CASH ENTITLEMENT, BEGINNING OF YEAR		**1,557,202**	**3,247,346**
CASH ENTITLEMENT, END OF YEAR		**$ 1,476,015**	**$ 1,557,202**

The accompanying notes are an integral part of these Financial Statements.

Financial Consumer Agency of Canada

Notes to the Financial Statements

For the year ended March 31, 2007

1. Authority and objectives

On October 24, 2001, the *Financial Consumer Agency of Canada Act* (the Act) came into force, establishing the Financial Consumer Agency of Canada (FCAC, or the Agency). The Financial Consumer Agency of Canada is responsible for strengthening the oversight of consumer protection measures in the federally regulated financial sector and for expanding consumer education activities. The Agency is a department of the Government of Canada and is listed in schedule I.1 of the *Financial Administration Act*.

FCAC's mandate is specifically set out in the *Financial Consumer Agency of Canada Act*. It must:

a) **supervise** financial institutions to determine whether they are in compliance with the consumer provisions applicable to them;

b) **promote** the adoption by financial institutions of policies and procedures to implement consumer provisions applicable to them;

c) **monitor** the implementation of financial institutions' publicly available voluntary codes of conduct that are designed to protect the interests of their customers, and monitor any public commitments made by financial institutions to protect the interests of their customers;

d) **promote** consumer awareness about the obligations of financial institutions under consumer provisions applicable to them; and

e) **foster** an understanding of financial services and issues relating to financial services, in cooperation with any department, agency or Crown corporation of the Government of Canada, or of a province, financial institution, or consumer or other organization.

Section 18(3) of the Act provides that the Agency's costs of operations are to be assessed to the industry. FCAC's operations are typically funded entirely through this process.

FCAC's assessment revenues are charged in accordance with the *Financial Consumer Agency of Canada Assessment of Financial Institutions Regulations*, which outline the methodology used to determine each institution's assessment.

The Agency manages its working capital requirements by borrowing funds from the Government of Canada as authorized under Section 13(1) of the Act.

2. Summary of significant accounting policies

a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b) Revenue recognition

The Agency is dependent on its revenue from the assessment of financial institutions to fund its costs of operations, including those related to employee future benefits. FCAC matches its revenue to its operating costs. Any assessments that have been billed and for which costs have not been incurred are classified as unearned revenue on the balance sheet.

Assessments are billed annually based on an estimate of the current fiscal year's costs of operations together with an adjustment for any differences between the previous year's assessed cost and actual.

The assessment process is undertaken before December 31 in each year, in accordance with section 18(1) of the Act. As a result, at March 31 of each year, amounts may have been collected in advance of the incurrence of costs or, alternatively, funds may be owed to the Agency to fund its costs of operations.

c) Employee future benefits

i) Pension benefits

FCAC's eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. Supplementary retirement benefits may also be provided in accordance with the *Special Retirement Arrangements Act*. Pension benefits accrue up to a maximum period of 35 years at a rate of 2% per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with the Canada/Quebec Pension Plan benefits and they are indexed to inflation.

Both the employees and FCAC contribute to the cost of the Plan. FCAC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

ii) Severance benefits

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment through a severance benefits plan. The cost of these benefits is accrued as the employees render their services necessary to earn severance benefits. These benefits represent the only obligation of FCAC that entails settlement by future payment.

The cost of severance benefits is actuarially determined as at March 31 of each year using the projected benefit method prorated on services. The valuation of the liability is based upon a current market discount rate and other actuarial assumptions, which represent management's best long-term estimates of factors such as future wage increases and employee resignation rates. The excess of any net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average remaining service period of active employees.

iii) Other future benefits

The federal government sponsors a variety of other future benefit plans from which employees and former employees may benefit during employment or upon retirement. The Public Service Health Care Plan and the Pensioners' Dental Service Plan are the two major plans available to FCAC employees and retirees. FCAC's responsibility with regard to these two plans is also limited to its contributions.

d) Cash entitlement

The Financial Consumer Agency of Canada does not have its own bank account. All of the financial transactions of the Agency are processed through the Consolidated Revenue Fund (CRF), a banking facility administered by the Receiver General for Canada. FCAC's cash entitlement represents the amount the Agency is entitled to withdraw from the CRF without further authority. This amount does not earn interest.

e) Assessments receivable

Assessments receivable are stated at amounts expected to be ultimately realized and represent a debt due to Her Majesty.

f) Capital assets

All capital assets are initially recorded at acquisition cost. Amortization of capital assets is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

Asset class	Amortization period
Furniture and fixtures	7 years
Leasehold improvements	lesser of useful life or term of the lease
Informatics software	5 years
Office equipment	4 years
Informatics hardware	3 years

3. Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items involving the use of estimates and assumptions are the benefit costs, the total severance benefits liability and the useful lives of capital assets. Actual results could significantly differ from those estimates.

4. Capital assets

	Gross book values			Accumulated amortization			Net book values	
Category	Opening balance	Additions	Closing balance	Opening balance	Amortization expense	Closing balance	2007	2006
Furniture and fixtures	$ 487,460	$ 45,341	$ 532,801	$ 264,106	$ 69,637	$ 333,743	$ 199,058	$ 223,354
Leasehold improvements	382,843	52,717	435,560	382,843	—	382,843	52,717	—
Informatics software	91,075	—	91,075	55,855	17,506	73,361	17,714	35,220
Office equipment	58,928	—	58,928	45,643	5,521	51,164	7,764	13,285
Informatics hardware	13,615	6,452	20,067	9,976	2,181	12,157	7,910	3,639
Total	**$1,033,921**	**$ 104,510**	**$1,138,431**	**$ 758,423**	**$ 94,845**	**$ 853,268**	**$ 285,163**	**$ 275,498**

5. Loan payable

FCAC funds its ongoing operations with cash advanced from the Consolidated Revenue Fund. There were no funds advanced as at March 31, 2007.

6. Employee future benefits

a) Pension benefits

FCAC and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The estimated employer contributions to the Public Service Pension Plan during the year were $401,460 (2006 — $393,058).

As required under present legislation, the contributions made by FCAC to the Plan are 2.14 times the employees' contribution on amounts of salaries below $126,500 and 7.0 times the employees' contribution on amounts of salaries in excess of $126,500.

b) Severance benefits

Information about FCAC's severance benefit plan is presented in the table below.

	2007	2006
Accrued benefit obligation, beginning of year	$ 358,428	$ 274,445
Current service cost	49,677	39,213
Interest cost	15,836	14,984
Benefits paid	(21,322)	(3,951)
Actuarial (gain)/loss	(36,691)	33,737
Accrued benefit obligation, end of year[1]	365,928	358,428
Unamortized net actuarial loss	(104,437)	(150,127)
Accrued benefit liability	**$ 261,491**	**$ 208,301**
Current service cost	$ 49,677	$ 39,213
Interest cost	15,836	14,984
Amortization of net actuarial losses[2]	8,999	8,160
Net benefit plan expense	**$ 74,512**	**$ 62,357**

[1] The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's revenue from assessments outlined in Note 2 to the financial statements. Amounts collected in excess of benefits paid are presented on the Balance Sheet under the heading of Cash Entitlement.

[2] The amortization period is the remaining average service period of active employees.

A discount rate of 4.25% (2006 — 4.25%) was applied in measuring the Agency's accrued benefit obligation. Management's best estimate for the general salary increases used to estimate the current service cost and the accrued benefit obligation as at March 31, 2007 is an annual economic increase of 2.0% for the plan year 2008 (2006 — 2.5% for the plan year 2007). Thereafter an annual economic increase of 2.0% (2006 — 2.5%) is assumed. The average remaining service period of the active employees covered by the benefit plan is 14 years (2006 — 13 years).

7. Related-party transactions

FCAC is related, in terms of common ownership, to all Government of Canada departments, agencies and Crown corporations. The Agency has entered into service agreements with several departments and one Crown corporation for the supply of key services to the Agency and its staff in carrying out its mandate. FCAC currently works with the following partners:

- Public Works and Government Services Canada (PWGSC)
- Canada Deposit Insurance Corporation (CDIC)
- the Office of the Superintendent of Financial Institutions (OSFI)

FCAC also enters into transactions with other government entities in the normal course of business and on normal trade terms applicable to all individuals and enterprises. The following table summarizes the impact of the Agency's significant related-party transactions for the year on total expenses and the amounts due to (from) those related parties at the end of the year. The transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	2007		2006	
Related Party and Nature of Service Provided	**Expense**	**Payable/ (Receivable)**	**Expense**	**Payable/ (Receivable)**
PWGSC				
Accommodation	$ 455,581	$ —	$ 479,479	$ —
Management/Information Technology	340,317	85,114	361,307	90,327
Translation Services	89,474	9,323	109,786	11,820
Other Services	59,967	59,967	—	—
	945,339	154,404	950,572	102,147
Treasury Board				
Employee Benefits	747,757	3,243	760,856	27,573
CDIC — Professional Services				
Call Centre Administration	399,764	—	448,889	93,205
OSFI — Professional Services				
Financial Services	121,275	—	115,500	—
Human Resources Services	105,489	—	140,883	40,000
Internal Audit Services	85,000	85,000	36,600	—
Research Services	20,018	—	18,801	—
	331,782	85,000	311,784	40,000
Department of Finance				
Interest on Loan from the Consolidated Revenue Fund	166,329	—	111,820	—
Total	**$ 2,590,971**	**$ 242,647**	**$ 2,583,921**	**$ 262,925**

8. Commitments

Contractual commitments arising from service agreements entered into with various departments and one Crown corporation for the supply of key services to the Agency, as well as future minimum lease payments for the remaining term of the Agency's lease for office space, are outlined below.

Year ending March 31	**Service agreements**	**Operating lease**	**Total**
2008	$ 385,702	$ 447,593	$ 833,295
2009	397,606	447,593	845,199
2010	410,107	—	410,107
2011	423,234	—	423,234
2012	437,016	—	437,016
Total	**$ 2,053,665**	**$ 895,186**	**$ 2,948,851**

9. Administrative monetary penalties

The Commissioner of the FCAC may issue Notices of Violations and impose an administrative penalty in cases where he believes that there has been either a violation of the consumer provisions or non-compliance with any compliance agreement entered into pursuant to an Act listed in Schedule 1 to the *Financial Consumer Agency of Canada Act*. The penalty amount may be as high as $50,000 for an individual and $100,000 for an institution.

Penalties levied by FCAC are non-respendable and are to be remitted to the Consolidated Revenue Fund. The funds are not available to FCAC and are not included in the balance of the Cash Entitlement. As a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

FCAC levied $101,000 (2006 — $35,000) in administrative monetary penalties during fiscal year 2006–07.

Appendices

APPENDIX A

Glossary

Administrative Monetary Penalty

A monetary penalty that the Commissioner may impose after determining that a violation has been committed. The penalty can be as high as $50,000 for an individual or $100,000 for an institution. The amount is determined on the basis of three criteria: the degree of intent or negligence of the violator, the harm done by the violation, and any history of previous violations.

Addressed at industry level

A compliance issue has been identified as being an industry-wide issue. The institution has agreed to implement changes to improve compliance.

Addressed in Compliance Agreement

A federally regulated financial institution has agreed to enter into a Compliance Agreement concerning the compliance issue.

Case

A file opened by FCAC's Compliance and Enforcement Branch pertaining to a compliance matter, such as an alleged contravention of a consumer provision, code of conduct or public commitment. Circumstances surrounding the matter are reviewed and assessed by the Branch.

Closed case

A compliance case closed between April 1 and March 31 of the reporting year.

Code of conduct

A code adopted by a financial institution or an industry association and made publicly available (for example, on its Web site), designed to protect the interests of customers of that institution or industry. FCAC monitors whether federally regulated financial institutions comply with their voluntary codes of conduct.

Coercive tied selling

The use of coercion or undue pressure to induce an individual to obtain a product or service from a particular person, bank or affiliate, as a condition for obtaining another product or service from that same source.

Complaint

A verbal or written expression of dissatisfaction by a consumer, related to any area of activity of a financial institution.

Complaint-handling procedure

A procedure that federally regulated financial institutions are legally required to put in place for dealing with complaints made by persons who have requested or received products or services from a financial institution in Canada. Financial institutions must file their complaint-handling procedures with FCAC.

Compliance Agreement

An agreement entered into by the Commissioner and the senior management of a financial institution, specifying corrective measures designed to further compliance with the consumer provisions and setting out a time frame for implementation of the measures.

Compliance, finding of

A finding by FCAC, after investigation of a complaint, that the actions of the financial institution concerned are consistent with the institution's voluntary code of conduct or public commitment governing such actions.

Compliance framework

A framework outlining how FCAC supervises financial institutions' compliance with the legislated consumer provisions, and how it monitors the institutions' compliance with voluntary codes of conduct and public commitments.

Compliance measures

A series of actions that the Commissioner may implement to further compliance with consumer provisions or to achieve compliance when an institution is found to have violated a consumer provision. Determined on a case-by-case basis, the compliance measures may include such correctives as proceedings initiated through a Notice of Violation and an Administrative Monetary Penalty.

Consumer provision

A provision of federal legislation/regulations identified as a consumer provision in section 2 of the *Financial Consumer Agency of Canada Act*. When designated by regulation, contravention of such a provision constitutes a violation.

Examination

An examination conducted by FCAC, as circumstances require, to satisfy the Commissioner that a financial institution is complying with the consumer provisions, as well as with its code of conduct or public commitment. FCAC forwards the conclusions of such examinations to the Minister of Finance.

Filing

A document that a federally regulated financial institution is required by legislation (the *Bank Act*, the *Cooperative Credit Associations Act*, the *Insurance Companies Act* or the *Trust and Loan Companies Act*) to file with FCAC.

Non-compliance, finding of

After investigation by FCAC, a determination that the actions of a particular financial institution do not comply with the terms of a voluntary code of conduct or a public commitment applicable to that institution.

Non-substantive issue

An issue that appears to be a violation but involves a minor or isolated incident, or has very limited impact on consumers. No violation is noted against the financial institution's history but such issues are monitored to identify trends.

Non-violation, finding of

A finding by FCAC, after investigation of a complaint, that the actions of the financial institution concerned are consistent with its consumer provision obligations.

Not a compliance matter

A case may be found to be not a compliance matter in the following circumstances:

- Although it was initially classified as a compliance matter, investigation shows that the subject of the case does not fall under a consumer provision, voluntary code or commitment.
- The matter occurred before the creation of FCAC (October 24, 2001) or the coming into force of the *Financial Consumer Agency of Canada Designated Violations Regulations* (February 28, 2002).

Notice of Violation

A notice provided for by law and issued by the Commissioner, informing a financial institution that there are reasonable grounds to believe that the institution has violated a consumer provision. The *Financial Consumer Agency of Canada Act* requires the notice to state the name of the institution that committed the violation, the nature of the violation and the proposed amount of the Administrative Monetary Penalty to be levied against the institution by FCAC. After the Commissioner issues a Notice of Violation and receives representations from the institution, the Commissioner decides on a balance of probabilities whether the financial institution committed the violation and, where appropriate, issues a Notice of Decision. The Notice of Decision describes any Administrative Monetary Penalty imposed. The Commissioner may also publicize the violation.

Opened case

A case opened in FCAC's tracking system between April 1 and March 31 of the reporting year.

Pending case

A compliance case still under investigation by FCAC as of March 31 of the reporting year.

Public Accountability Statement

A statement that each financial institution with $1 billion or more in equity is required by law to publish annually and file with the FCAC Commissioner. The statement describes the contributions made by the institution to Canada's economy or society.

Public commitment

A commitment adopted and made publicly by a financial institution (for example, on its Web site), designed to protect the interests of customers of that institution. FCAC monitors compliance by federally regulated financial institutions with their public commitments.

Self-reported complaint/ Reportable complaint

A complaint involving a consumer provision or an FCAC-targeted code of conduct or public commitment that has been received by or forwarded to the designated reportable level or higher level of a financial institution's complaint-handling process. FCAC's compliance framework requires federally regulated financial institutions to inform the Agency of any reportable complaint (as defined in the compliance framework).

Violation

The contravention of a consumer provision, as defined by the *Financial Consumer Agency of Canada Designated Violations Regulations*.

Withdrawn case

A case on which action has been discontinued, either because the consumer who lodged the complaint has withdrawn it or because the consumer did not respond to FCAC's attempts to contact him or her in order to obtain the facts necessary for continuing the investigation.

APPENDIX B
Consumer provisions and regulations

The *Financial Consumer Agency of Canada Act* identifies consumer provisions under the following legislation:

- the *Bank Act*;
- the *Insurance Companies Act*;
- the *Trust and Loan Companies Act*; and
- the *Cooperative Credit Associations Act*.

The following table summarizes the legislated consumer provisions that the Agency administers, and the types of federally regulated financial institutions affected by each provision.

Consumer provisions administered by FCAC, and the institutions they affect

Type of consumer provision	Banks	Trust and loan companies	Insurance companies	Retail associations
Requirement to disclose interest and charges applicable to deposit accounts	X	X		X
Requirement to disclose the cost of borrowing	X	X	X	X
Requirement to have procedures for protecting customer information (no regulations in effect)	X	X	X	X
Requirement to open retail deposit accounts	X			
Requirement to provide notice that deposits are not insured when bank is not a member of CDIC	X			
Requirement to offer a standard low-cost account (not in effect) *Note: Instead of a regulatory approach to bring this provision into effect, eight financial institutions have voluntarily committed to providing a low-cost account within guidelines established by the government.*	X			
Within 14 days of opening a retail deposit account by telephone, consumer's right to close the account without charge	X	X		X
Prohibition on charging for cashing Government of Canada cheques	X	X		X
Obligation to cash Government of Canada cheques to a maximum of $1,500, as specified by regulation	X			
Requirement to provide notice before closing a retail branch	X	X		X
Requirement for each institution with equity of $1 billion or more to file a Public Accountability Statement	X	X	X	
Requirement to set up complaint procedures and to file a copy of those procedures with FCAC	X	X	X	X
Requirement to join a separate complaints resolution organization		X	X	X
Restriction concerning coercive tied selling	X			

Consumer provisions administered by FCAC, and the institutions they affect (continued)

Type of consumer provision	Banks	Trust and loan companies	Insurance companies	Retail associations
Requirements to disclose information to consumers in accordance with regulations (e.g. regulations on index-linked deposits, cheque holding policies)	X	X	X	X
Consumers' right to prepay loans	X	X	X	X
Requirement for an institution to provide information about FCAC when consumers have complaints about the institution's compliance with consumer provisions	X	X	X	X
Related Matters	**Banks**	**Trust and loan companies**	**Insurance companies**	**Retail associations**
Requirement for FCAC to monitor industry codes of conduct and public commitments (e.g. codes dealing with debit cards or with small and medium-sized businesses)	X	X	X	X
Requirement for FCAC to report annually, in aggregate form, on the number and types of complaints brought to its attention	X	X	X	X
Requirement for institutions to provide information to the Commissioner as necessary	X	X	X	X
Requirement for annual compliance examination and reporting	X	X	X	X
Ability to enter into Compliance Agreements	X	X	X	X
Requirement to pay assessments for funding of FCAC	X	X	X	X
Ability to designate contraventions that are subject to administrative penalties	X	X	X	X

Status of consumer provisions and related regulations

as of March 31, 2007

Name of regulations	Status	Reference No.
Access to Basic Banking Services Regulations	in force	SOR/2003-184
Cheque Holding Policy Disclosure (Banks) Regulations	in force	SOR/2002-39
Complaint Information (Authorized Foreign Banks) Regulations	in force	SOR/2001-370
Complaint Information (Banks) Regulations	in force	SOR/2001-371
Complaint Information (Canadian Insurance Companies) Regulations	in force	SOR/2001-373
Complaint Information (Foreign Insurance Companies) Regulations	in force	SOR/2001-372
Complaint Information (Retail Associations) Regulations	in force	SOR/2001-374
Complaint Information (Trust and Loan Companies) Regulations	in force	SOR/2001-375
Cost of Borrowing (Authorized Foreign Banks) Regulations	in force	SOR/2002-262
Cost of Borrowing (Banks) Regulations	in force	SOR/2001-101
Cost of Borrowing (Canadian Insurance Companies) Regulations	in force	SOR/2001-102

Name of regulations	Status	Reference No.
Cost of Borrowing (Foreign Insurance Companies) Regulations	in force	SOR/2001-103
Cost of Borrowing (Retail Associations) Regulations	in force	SOR/2002-263
Cost of Borrowing (Trust and Loan Companies) Regulations	in force	SOR/2001-104
Disclosure of Charges (Authorized Foreign Banks) Regulations	in force	SOR/99-278
Disclosure of Charges (Banks) Regulations	in force	SOR/92-324
Disclosure of Charges (Retail Associations) Regulations	in force	SOR/2003-297
Disclosure of Interest (Authorized Foreign Banks) Regulations	in force	SOR/1999-272, as amended by SOR/2001-468
Disclosure of Interest (Banks) Regulations	in force	SOR/1992-321, as amended by SOR/2001-469
Disclosure of Interest (Retail Associations) Regulations	in force	SOR/2003-298
Disclosure of Interest (Trust and Loan Companies) Regulations	in force	SOR/1992-322, as amended by SOR/2001-470
Disclosure on Account Opening by Telephone Request (Authorized Foreign Banks) Regulations	in force	SOR/2001-471
Disclosure on Account Opening by Telephone Request (Banks) Regulations	in force	SOR/2001-472
Disclosure on Account Opening by Telephone Request (Retail Associations) Regulations	in force	SOR/2003-299
Disclosure on Account Opening by Telephone Request (Trust and Loan Companies) Regulations	in force	SOR/2001-473
Financial Consumer Agency of Canada Assessment of Financial Institutions Regulations	in force	SOR/2001-474
Financial Consumer Agency of Canada Designated Violations Regulations	in force	SOR/2002-101
Index-linked Deposits Interest Disclosure Regulations	in force	SOR/2002-102
Notice of Branch Closure (Banks) Regulations	in force	SOR/2002-104, as amended by SOR/2003-70
Notice of Branch Closure (Cooperative Credit Associations) Regulations	in force	SOR/2002-105, as amended by SOR/2003-70
Notice of Branch Closure (Trust and Loan Companies) Regulations	in force	SOR/2002-106, as amended by SOR/2003-70
Notices of Uninsured Deposits Regulations	in force	SOR/99-388, as amended by SOR/2002-338
Public Accountability Statements (Banks, Insurance Companies, Trust and Loan Companies) Regulations	in force	SOR/2002-133

APPENDIX C
Major codes of conduct and public commitments monitored by FCAC

Codes of conduct

Canadian Bankers Association (CBA) Code of Conduct for Authorized Insurance Activities
Outlines the banks' standards for branch employees to offer credit, travel and personal accident insurance. Deals with training, disclosure, promotion practices, customer privacy protection and customer redress.

Canadian Code of Practice for Consumer Debit Card Services ("debit card code")
Outlines industry practices and consumer/industry responsibilities. Designed to protect Canadian consumers who use debit card services.

Codes of Conduct for Bank Relations with Small and Medium-Sized Businesses
Each bank develops and applies its own code to the business activities it conducts with small and medium-sized enterprise (SME) customers. Every code includes the key elements of the CBA Model Code of Conduct, the minimum standard for banks dealing with SMEs.

Principles of Consumer Protection for Electronic Commerce: A Canadian Framework
Intended to guide the actions of businesses, consumers and governments in Canada to develop a consumer protection framework for electronic commerce over open networks, including the Internet.

Public commitments

Credit Cards
Several financial institutions have made formal commitments to protect consumers from the unauthorized use of credit cards. These commitments outline consumers' liability for fraudulent transactions.

Guidelines for the Transfer of Registered Plans
Explanation of the maximum time that banks may require to process transfers of deposit-type registered plans.

Low-Cost Accounts
Eight Canadian financial institutions have undertaken to offer accounts that meet guidelines set out by the federal government since February 2001, with the aim of ensuring that Canadians have access to affordable banking services.

On-Line Payments
Commitment to applying the principles and provisions of the Canadian Code of Practice for Consumer Debit Card Services as they apply to on-line payments made from customer deposit accounts. Reflects consumer and industry responsibilities related to the use of on-line payment systems in Canada.

Plain-Language Mortgage Documents
Reflect the banks' commitment to improving the understandability of residential mortgage documents.

Undertaking on Right of Rescission of Index-linked Deposits Purchased by Telephone
For telephone purchasers of index-linked deposits who have not received the required written statement prior to purchase, seven Canadian financial institutions have committed to allowing the opportunity to rescind the purchase within 48 hours from the actual or deemed receipt of such a statement, whichever is earlier.

Undertaking on Unsolicited Services
Six Canadian financial institutions have committed to implementing procedures designed to protect consumers when offering unsolicited services.